

ORCO PROPERTY GROUP
Société anonyme



REGISTRATION DOCUMENT

24 JANUARY 2011

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Chapter 1 Persons responsible and details of the External Auditors

1.1 *Persons responsible for the registration document*

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Both acting as directors of Orco Property Group, *société anonyme*, with registered office at Parc d'Activités Capellen, 40, L-8308 Capellen, RCS Luxembourg B 44.996 (hereafter the « Company »). References in this document to the "Group" refer to the Company and all of its subsidiaries.

1.2 *Declaration by the persons responsible for the registration document*

Having taken all reasonable care to ensure that such is the case, we hereby declare that the information contained in this registration document is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Luxembourg, January 24, 2011

Jean-François Ott
Director

Nicolas Tommasini
Director

1.3 External Auditors

HRT Révision S.à r.l. (cabinet de révision agréé), having its registered office at 23, Val Fleuri L-1526 Luxembourg, since June 2002, represented by Brigitte Denis, is the independent auditor of the Company (réviseur d'entreprises agréé) reappointed by the ordinary general meeting of 26 April 2010, expiring at the end of the ordinary general meeting convened to approve the accounts for the financial year ended 31 December 2012. The HRT Group is an independent member of a worldwide network of audit and chartered accounting firms known as "POLARIS international", and is a member of the Luxembourg Institute of registered auditors (Institut des réviseurs d'entreprises).

PricewaterhouseCoopers S.à r.l. (cabinet de révision agréé), a private limited company (société à responsabilité limitée) incorporated under the laws of Luxembourg, having its registered office at 400 Route d'Esch, L-1471 Luxembourg, is the independent auditor of the Company since 2004 and reappointed by the ordinary general meeting of 26 April 2010, expiring at the end of the ordinary general meeting convened to approve the accounts for the financial year ended 31 December 2012. PricewaterhouseCoopers S.à r.l. is a member of the Luxembourg Institute of registered auditors (Institut des réviseurs d'entreprises).

Chapter 2 Information about Orco Property Group

2.1. Key figures for the years 2007, 2008 and 2009 and for the first half of 2009 and 2010

in EUR thousands	30 June 2010 (reviewed)	31 December 2009	30 June 2009 (reviewed)	31 December 2008	31 December 2007
Turnover	163 076	251 531	132 315	299 926	299 229
Operating result	37 770	-254 217	-260 347	-386 771	177 104
Profit before tax	237 836	-364 374	-318 338	-514 413	103 245
Net result attributable to the Owners of the Company	237 733	-250 564	-199 857	-390 560	87 508
Shareholders' equity	320 517	56 577	97 619	304 633	736 012
Gross financial debt	1 291 940	1 600 477	1 601 921	1 565 756	1 479 752
Cash and cash equivalent	63 744	57 040	66 813	83 799	257 977
Total balance sheet	2 010 785	2 072 463	2 142 876	2 464 110	2 941 451

2.2. Risk Factors

Prior to making any investment decision, prospective investors should carefully review and consider the following risk factors and the other information contained in this registration document with respect to the shares and/or any other financial instruments issued by the Company.

The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the Group's business, financial condition, results of operations or prospects. The risks and uncertainties described below are not complete or exhaustive and therefore may not be the only risks and uncertainties that the Group could face. The order in which the risks are presented below does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks.

Additional risks and uncertainties of which the Group is not currently aware or which it does not consider significant at present could likewise have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The market price of the shares and/or any other financial instruments issued by the Company could fall if any of these risks were to materialize, in which case investors could lose all or part of their investment.

Investors should only purchase shares and/or any other financial instruments issued by the Company for inclusion in a broadly diversified portfolio. Those investors who have any reservations regarding the content of this registration document should contact their stockbroker, bank, lawyer, tax adviser or financial adviser. The information in this registration document is not equivalent to the professional advice from the persons mentioned above.

2.2.1. Risks related to the Group's business – General

Changes in the general economic and cyclical parameters, especially a continuation of the financial crisis, may negatively influence the Group's business activity

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The Group's core business activity is mainly based on the letting and sale of real estate property. The revenues from rents and revenues from sales of real estate property investments are key figures for the Group's value and profitability. Rents and sales prices depend on economic and cyclical parameters, which the Group cannot control.

The subprime crisis, which began in the United States but led to a worldwide financial crisis negatively affected the Group's business model. This crisis may continue to affect the Group's actual and future profitability. The crisis resulted in a credit crunch, which despite a substantial easing since late 2009 may continue to weaken the Group's abilities to refinance its debts. Furthermore, the crisis negatively affects the sales prices and rents for real estate investments. Additionally, vacancies may increase due to the general recession. The trend of the financial crisis in 2010 and the upcoming years is unpredictable, so further risks may occur for the Group's business model.

The financial crisis, which began in the real estate sector, may lead to a general lack of confidence in real estate investments among investors, banks, staff and others. This lack of confidence may have a negative impact on the Group's further revenues and costs.

The Group faces a number of general risks related to the real estate industry

The Group is exposed to all of the risks inherent in the business of acquiring, developing, owning, managing and using real estate. These risks include, in particular, the following:

- cyclical fluctuations in the property market generally and in the national and local markets where properties are located;
- sales risks;
- property abuse risks (including terrorism);
- construction delays and construction budget overruns;
- opposition from civic and environmental groups; and
- natural disasters.

Although the Group takes precautionary measures to protect its business activities from the negative impact of the above risks, such as the inclusion of certain contractual provisions and, as far as possible, insurance coverage, it is not possible to completely insulate the Group from the effects of the above risks.

If any of these risks materialize, the result could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Group will continue to depend on its ability to identify profitable development and investment projects

The Group's business model depends on its continuing ability to develop and/or acquire commercial, logistic and residential properties across Central and Eastern European countries with the potential for capital growth and/or investment returns. Competition for such properties continues despite the weakened financial situation of several market players.

As a result, the Group may have some difficulties finding suitable properties, which inability could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Even if the Group is able to develop existing and new projects and acquire properties compatible with its strategy, such developments and acquisitions could prove unsuccessful. The assumptions the Group makes when developing and acquiring its property portfolio may prove inaccurate. Inaccurate assumptions could adversely affect the Group's business, financial condition, results of operations or prospects.

The Group's properties may be subject to increases in operating and other expenses

The Group's business, results of operations, financial condition and prospects could be materially adversely affected in the event that operating and other expenses increase without a corresponding increase in revenues.

Factors which could increase operating and other costs include, among others:

- changes in statutory laws, regulations or government policies (including increases in property taxes and other statutory charges), which increase the cost of compliance with such laws, regulations or policies;
- increases in insurance premiums;
- defects affecting the properties which need to be rectified, leading to unforeseen capital expenditures; and
- increase of construction costs.

Certain of the Group's building permits are for a limited period of time and failure to complete the project prior to such expiry would require the Group to refile

As a result of the economic crisis, the Group was forced to delay or stop construction on certain of its residential developments. In certain situations, the Group holds a building permit that is valid for a restricted period of time. If the Group does not complete these projects prior to the expiry of the relevant building permits, the Group will have to refile the appropriate documents to request new building permits.

The Group's building permit for its Zlota 44 development has been invalidated for several months

Although the Group had all applicable zoning and building permits in place for the development of its Zlota 44 project in Warsaw, Poland, in the summer 2009, the lower Polish courts invalidated both permits. As a result, all construction on this project was suspended for several months. In March 2010, the Group was successful in having the zoning permit reinstated and on 7 October 2010 the Governor of the Mazovian Voivodship has confirmed the validity and effectiveness of the building permit too. As such, the Group may now enter the construction site and resume construction based on this final and effective building permit. The obstructions stopped construction for several months and have resulted in extensive damages and costs to Orco. Zlota 44 is subject to other risks related to the construction and development of the real estate project, as described in this Section of the registration document.

The Group may be unable to effectively manage its restructuring plan

The Group plans to focus its development in the capital cities of Central Europe and to restructure its operations under two business lines: Commercial Investment Properties and Development. There can be no assurance that the Group's internal systems, due diligence procedures and monitoring measures will be adequate to achieve this restructuring process. Any inability of the Group to effectively manage its restructuring or to obtain the necessary resources, could have a material adverse effect on its business plan, financial position, results of operations or prospects.

The Group will need to ensure that its planning and management processes in conducting its business remain effective. The Group will also need to continue to improve its financial and managerial controls and reporting systems. There can be no assurance that the Group's internal systems, due diligence procedures and monitoring measures will be adequate to support the ongoing adaption of its business.

Internal controls may prove difficult to implement, which may adversely impact the Group's ability to prepare accurate financial information

Before its ongoing reorganization along business lines, the Group operated in a decentralized manner with a large number of legal entities operating independently of one another. As a result, the implementation of reliable, standardized procedures throughout the Group's operations may still take longer than in other companies or in other sectors. If the Group is unable to implement reliable, standardized internal control procedures in a timely manner, the Group may not be able to prevent or detect a material misstatement of its annual or interim IFRS financial statements, and the process of preparing its annual or interim IFRS financial statements may be subject to delays.

Competition in the markets in which the Group operates is high and may intensify in the future

The real estate market in Central and Eastern Europe is competitive and fragmented. The Group faces competition from both international and local real estate investors including developers, investment funds, various types of financial institutions and wealthy individuals. As property markets in Central and Eastern Europe are undergoing a maturing process, competition could intensify.

In particular, the Group has experienced, as a result of the accession of the Czech Republic, Hungary, Poland and Slovakia to the European Union, increased competitive pressures from international property developers and other investors in those markets.

Although the crisis has led to the exit of a number of international players, certain competitors in various of the Group's markets may have significant advantages over the Group, including greater name recognition, longer operating histories, pre-existing relationships with current or potential purchasers or tenants, significantly greater financial resources, marketing and other resources and more ready access to capital which would allow them to respond more quickly to new investment opportunities.

No assurance can be given that the Group will be able to compete successfully in the future. If the Group fails to compete effectively or, if increased competition leads to lower revenues and lower profit margins for the Group, the Group's business, financial condition, results of operations or prospects may be adversely affected.

The Group may be exposed to an oversupply in its key markets

The real estate markets across Central and Eastern Europe have experienced significant growth in recent years. Although the Company believes that its focus on prime sites and projects means that there is and will continue to be demand for its developments, no assurance can be given that the supply of new office and residential projects will not exceed demand in the relevant jurisdiction.

Any such excess may have an effect on the value of the Company's portfolio and its ability to sell or lease its completed projects at forecasted levels or at all and, therefore, may adversely affect the Company's business, financial condition, results of operations or prospects.

Due to the general and worldwide financial crisis and the recession in key markets, the oversupply of office and residential properties may lead to higher vacancies and to a stagnation or decline of renting yields.

The Group is exposed to location risks

The value of a property depends to a large extent on its location and the purpose for which it is intended. If the Group misjudges the desirability of a property's location or its intended use, it may be difficult to sell the property at the budgeted price or to rent fully or at all at the budgeted rental levels. If the Group is required to reduce the sales price to attract purchasers or the rental level of a property to attract tenants, or if the property is empty for a long period of time, the market value of the

property may be significantly reduced and the Group's revenues adversely affected. If budgeted sales or rental revenues should fail to materialize as planned, this may have long-term effects on the performance of the property concerned. Any such misjudgment or miscalculation may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be exposed to losses and liabilities (including tax liabilities) in respect of its properties as a result of the acts or omissions of vendors, previous owners or occupiers or relating to a prior period of ownership

The Group may be exposed to losses and liabilities, including, for example, tax, regulatory, environmental and compliance liabilities, in respect of the properties it acquires. The acts and omissions of the vendors, previous owners or occupiers of the properties in question, changes in regulation and a variety of other factors could result in the Group being exposed to such losses and liabilities.

The Group has acquired pre-owned buildings and may acquire other pre-owned buildings in the future. Hence there is a risk that some properties may contain hidden defects which if revealed would be the responsibility of the Group and adequate insurance to cover such risk may be unavailable (see "Insurance may not cover all losses relating to the Group's properties and the Group may suffer material losses in excess of insurance proceeds"). Moreover, in some cases, the Group carried out a limited due diligence exercise prior to purchasing a property and therefore did not fully verify that the owners of the properties obtained (or the properties comply with) all planning permissions and conditions, building permits, licences, fire and health and safety rules and related regulations. Also, in some cases, the Group did not undertake (and did not obtain results for) all searches, inspections and surveys (including technical surveys) that it might have otherwise carried out in relation to an acquisition. The Group does not usually undertake any environmental searches or asbestos investigations prior to purchasing land or properties. The agreements that the Group enters into to acquire properties may contain only limited representations and warranties from the relevant vendors in favour of the Group and may contain limited or no other contractual protection. Moreover, there can be no assurance as to the ability of the relevant vendor to satisfy any claims which may be made by the Group.

The Group is party to co-investment agreements which may impose obligations and certain restrictions on the Group

Where the Group does not own all of a property, it may be a party to a co-investment agreement with co-investors. Such co-investment agreements may impose restrictions on the Group, including, *inter alia*, in relation to the disposal of its interest, changing the managers of (or where relevant, the general partner or the investment structure for) the property, its income and capital distribution entitlements and its voting rights, and/or the co-investment agreement may entitle its co-investors (or some of them or the relevant manager) to preferential income or capital returns on, or other rights in relation to, the investment in certain circumstances and/or pre-emption rights on the sale of the Group's interest. Any such co-investment agreement may also impose obligations on the Group. Any of these matters may affect the value of the Group's investment in such properties.

Risk of insolvency or non-compliance of the Company's joint venture partners

Some of the Group's developments are conducted through joint ventures in which the Group shares control over the project with a third party. There can be no assurance that these joint venture parties will continue their relationships with the Group in the future or that they will comply with all of the terms and conditions of the joint venture agreements. Furthermore, certain joint venture parties may

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have economic or business interests or goals that are inconsistent with those of the Group, take actions contrary to the Group's policies or objectives, experience financial and other difficulties, be unable or unwilling to fulfill their obligations under the joint venture agreements, any of which could negatively impact the Group's financial condition or results of operations.

Insurance may not cover all losses relating to the Group's properties and the Group may suffer material losses in excess of insurance proceeds

Properties may suffer physical damage by fire or other causes, or the Group may suffer public liability claims, resulting in losses (including loss of rent) which may not be fully compensated by insurance proceeds. In addition, certain types of risk (such as war risk, acts of terrorism and losses caused by the outbreak of contagious diseases, contamination or other environmental breaches) may be uninsurable or the cost of insurance may be prohibitive when compared to the related risk. Should an uninsured loss or a loss in excess of insured limits occur, the Group could be required to pay compensation and/or lose capital invested in the affected property. The Group would also remain liable for any debt or other financial obligation related to that property.

No assurance can be given that material losses in excess of insurance proceeds will not occur in the future. Any such uninsured loss or a loss in excess of insured limits, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may not be able to attract and retain sufficiently qualified employees in the countries in which it operates

Competition for employees across Central and Eastern European countries from other local or international real estate companies, which was increasing up until the 2008-2009 crisis, may make it more difficult for the Group or its subsidiaries to attract and retain qualified employees and may lead to rising employee costs in the future. If the Group is unable to attract and retain employees with the required training, experience and motivation in key strategic markets or if competition for qualified employees increases its employee costs, it may materially adversely affect the Group's business, financial condition, results of operations or prospects.

The Group may not have title to property or shares in relation to its investments in Central and Eastern European countries

As a result of various issues related to, among other things, the process of registration of title at the real estate and corporate registries, the purchase of property from public authorities, the purchase of matrimonial property, restitution laws and untested law-enforcement procedures, the Company's subsidiaries may not in all cases have title to properties and/or land on which properties are located or title to the shares of companies which own the land and properties of the Group in Central and Eastern Europe. The Group believes that only a small proportion of its properties and/or land is subject to such uncertainty. While the Group experienced this situation for example in Budapest 10 years ago, where any such title to the properties themselves or to the shares in companies owning the relevant land and/or building in Central and Eastern European countries has been the subject of legal proceedings leading to such loss of title, the Company is subject to the risk that the Group may not acquire or be granted title to such land or shares, and/or that the relevant company within the Group could be determined to be in violation of applicable law. Any such outcome could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group's activities are subject to many regulations, some of which are highly restrictive and current regulations may become more onerous in the future

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The Group is required to comply with numerous regulations governing matters such as the construction, refurbishment and maintenance of buildings, safety and leases. The Group, along with its suppliers and subcontractors, must comply with numerous regulations concerning urban planning, construction and development and building safety, which can result in significant expenses and investments for the Group.

Changes to these regulations or to their interpretation or application could force changes in the way the Group manages its assets. Regulations may require the Group to conduct major renovations of its buildings and limit its ability to sell assets, implement its investment or renovation programs. Such changes could increase operating, maintenance and refurbishment costs of the Group's properties, or limit the amount of rent that the Group may collect from its tenants, and could therefore have a significant negative impact on the Group's business, financial condition, results or outlook.

In addition, in Germany, legislation governing residential leases is very restrictive for the landlord. Contractual terms concerning the length of the lease, termination, renewal, rent increases and eviction are restricted by law and limit property owners' ability to increase and optimize rents and to freely manage their properties.

Given the complexity of some regulations applicable to the Group, particularly rules that determine when building permits must be obtained for renovations, it is possible that the Group's interpretation of these regulations could be challenged by tenants or result in injunctions or compliance orders from the relevant authorities.

The Group's property valuations may not reflect the real value of its portfolio, and the valuation of its assets may fluctuate from one period to the next

The Group's investment property portfolio is valued at least once a year by an independent appraiser, DTZ. The Group's property assets were fully valued as of 31 December 2009 and the management decided to submit only 43% of the property asset value as of 30 June 2010 to DTZ, given the fact that market conditions remained largely stable over the first semester of 2010.

The change in the appraised value of investment properties, in each period, determined on the basis of expert valuations and adjusted to account for any acquisitions and sales of buildings and capital expenditures, is recorded in the Group's income statements. For each euro of change in the fair value of the investment properties, the net income of the Group changes by one euro. Changes in the fair value of the buildings could also affect gains from sales recorded on the income statement (which are determined by reference to the value of the buildings at the beginning of the accounting period during which the sale is realized) and the rental yield from the buildings (which is equal to the ratio of rental revenues to the fair value of the buildings). Furthermore, adverse changes in the fair value of the buildings could affect the Group's cost of debt financing, its compliance with financial covenants and its borrowing capacity.

The values determined by independent appraisers are based on numerous assumptions that may not prove correct, and also depend on trends in the relevant property markets. As a result, in particular, the assumption that the Company is a "going concern" i.e. that it is not a "distressed seller" whose valuation of the property assets may not reflect potential selling prices. In addition, the figures may vary substantially between valuations. A decline in valuation may have a significant adverse impact on the Group's financial condition and results, particularly because changes in property values are reflected in the Group's consolidated net profit.

The Group's properties are exposed to the risk of destruction and deterioration

The Group's buildings may be exposed to risks such as flooding, fire and gas explosions which could lead to the destruction or deterioration of its buildings. These risks may not be adequately covered by the Group's insurance policies, and the Group may not be fully indemnified for losses related to these risks, in particular for losses suffered from total destruction of property or from operating losses due

to such destruction. If full indemnity is not possible, the total or partial destruction of the Group's properties could lead to major renovation costs and significant financial losses.

Some of the Group's properties may not be readily convertible to an alternative use if such properties were to become unprofitable due to competition, age, decreased demand, regulatory changes or other factors. The conversion of commercial properties to alternate uses or of non-commercial properties to commercial use generally requires substantial capital expenditure. Thus, if the current use of any property becomes unprofitable the market value of that property may decline.

The conversion of a commercial property to an alternate use or the conversion of a non-commercial property to commercial use may also be subject to planning control and zoning restrictions. Current and future applications for the proposed use or change of use and redevelopment of a property may be refused or delayed by the relevant authorities or by objections and appeals to the courts by third parties, thereby restricting the Group's ability to develop or re-let, as the case may be, the property for the new use within its proposed timescale.

The Group is exposed to risks of environmental claims

The Group's activities are subject to laws and regulations relating to the environment and public health. These laws and regulations require a property owner to ensure that its premises are free from risks that may threaten the physical safety or health of its occupants. They cover the presence of toxic products in buildings (e.g. asbestos and lead), the installation of approved environmental protection measures, and efforts to combat risks such as those caused by electromagnetic waves, floods, fires and gas explosions. Failure to comply with these laws and regulations could lead to major costs or penalties for the Group.

The Group generally does not always undertake environmental searches or investigations prior to purchasing any land or properties, and therefore the Group may own land which contains environmental pollutants (e.g. waste, oil or toxic chemicals) or buildings whose structures incorporate hazardous materials (e.g. asbestos and formaldehyde) which are harmful to the environment or to the health of workmen on development sites or residents and occupants of residential or office sites. Environmental laws often impose liability regardless of whether the owner or operator of the property knew of, or was responsible for, the presence or release of the hazardous substances. The removal and disposal of such hazardous substances, along with the associated maintenance and repair work, could entail significant costs. Furthermore, it may be impossible for the Group to obtain recourse against the party responsible for the pollution or against prior owners.

These environmental risks are particularly acute with respect to properties located in countries where reliable documentation for past contamination does not exist or where the laws governing environmental matters are in development or are unclear, as is more often the case in the countries of Central and Eastern Europe than in Western Europe. These risks associated with environmental claims are not always predictable or under the Group's control.

The occurrence of environmental claims or unforeseen costs to remove or dispose of these substances and hazardous materials or to repair resultant damage caused by them could adversely affect the Group's business, financial condition, results of operations and prospects.

If laws and regulations relating to the environment and public health were to impose increased obligations or to be extended to apply to all Group assets regardless of age, or if new laws regulating risks not currently identified were to come into force, the Group could be required to significantly increase its expenses or capital expenditures to comply with them.

The Group is exposed to counterparty credit risk

The Group is exposed to the credit risk of its counterparties (including local sub-contractors who assist in the development of projects) and their ability to satisfy the terms of contracts the Group has with them. The Group could experience delays in recovering any sums or damages owed to it by such

counterparties and suffer significant losses, including declines in the value of its investment during the period in which it seeks to enforce its rights, or an inability to realize any gains on its investment during such period and may incur fees and expenses in enforcing its rights.

A change of control of the Company could result in a substantial payment obligation for the Company

Key management indemnity

In a decision taken on 3 March 2006, the Board of Directors of the Company granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 million. As a result of the reduction of the number of persons covered by this termination agreement as at 31 December 2009, the potential termination indemnity payment amounted to EUR 16 million (as at 31 December 2008: EUR 19 million). This indemnity would become payable by the Company to the relevant management member only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

Bonds and warrants

The prospectuses pursuant to which the bonds registered under ISIN FR0010249599, FR0010333302 and XS0291838992 were issued contain change of control provisions which afford the bondholders various rights in the event of a change of control of the Company. As originally issued, a bondholder could request immediate repayment of its bonds and/or receive a premium amount. Pursuant the Safeguard plan, however, a bondholder would no longer be entitled to demand immediate repayment in full, including any premium amounts, but would instead receive repayment (including the premium) according to the mandatory amortization schedule defined in the Safeguard plan adopted by the Tribunal de Commerce de Paris on 19 May 2010. In addition, upon a change of control of the Company, holders of the 2014 Warrants (ISIN XS0290764728) would be entitled to a payment defined as “Change of Control Compensation Amount”, which amount is included in the Safeguard plan in the aggregate amount of EUR 707,826.24.

2.2.2. Risks related to the Group’s real estate development business

Unexpected problems and unrecognized risks could arise in the Group’s existing and future development projects

Unexpected problems or unrecognized risks could arise in connection with the Group’s existing and future development projects. The residential and commercial real estate development businesses are subject to certain risks arising from the complexity of the projects, the application of regulations, the multiplicity of participants and the need to obtain permits. These risks include the possible abandonment of projects on which the Group has incurred significant feasibility study costs and to which it has devoted management attention. Moreover, the agreements that the Company enters into when developing or acquiring property portfolios may not adequately address such problems or risks. While the Group takes great care in selecting project participants and in conducting detailed technical, market and cost studies prior to launching projects, it is subject to risks such as underestimating costs in the budgeting process, incurring additional costs due to delivery delays or experiencing sales rates or prices that are lower than expected, all of which could affect its

profitability. In some cases, the Group could be exposed to legal action concerning structural defects or problems affecting buildings it develops.

Finally, although the Group's policies require its subcontractors to comply with all relevant labour laws and regulations, including those relating to undeclared labour, the Group could be subject to legal action if one or more of its subcontractors were to fail to comply with these policies. Unrecognized risks and the occurrence of unexpected problems, which may occur without warning, could adversely affect the Group's results of operations, lead to a decline in the value of development projects or acquired assets, and materially adversely affect the Group's business, financial condition, results of operations or prospects.

The Group may face problems in obtaining vacant possession of its development projects

Some of the Group's properties at the time of purchase are subject to existing tenancies, and vacant possession of these properties is necessary for the Group to commence its construction plans. The terms for vacating the tenants will depend on *inter alia*, the terms of the lease agreement, some of which may provide that the lease may only be terminated on the occurrence of specific events, or with the mutual agreement of the parties. Any delay and/or additional costs incurred by the Group in reaching an agreement with such tenants may delay the commencement and therefore completion of the development project which may have a material adverse effect on the Group's business and financial condition.

The Group is exposed to risks inherent in investments in development projects

During the initial phases of development projects, the Group normally carries the costs of the project, both through injection of equity and by incurring liabilities, and begins to receive revenues only at a later point in time. Development projects sometimes face cost overruns and delays in completion, many of which are caused by factors that are not directly within the control of the developer. These types of risks, especially in relation to the quality and timeliness of performance by contractors, are inherent in property development. If any of these risks occur, the economic success of a project could be significantly impaired and the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

The Group is exposed to the risk of increased construction costs

The Group relies on general contractors for the construction of its buildings. The Group recognizes that, for several years, there has been a trend of increasing construction costs, particularly in Poland. Although construction costs decreased globally in 2009, the cost of various construction materials, such as steel, increased. Construction costs could also be negatively affected by the cost to comply with stricter regulations relating to environmental protection. There is no guarantee that the Group could recover the increased construction costs. The inability of the Group to recover increased construction costs through increased sales prices could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

The Group may not obtain at all or in a timely manner or for the contemplated number of buildable sqm all required permits and consents

As a result of bureaucratic difficulties, environmental and heritage protection laws, and time constraints with the administrative authorities in the relevant jurisdictions, the Group may encounter difficulties in obtaining relevant permits for the development of its projects or, more likely, may acquire those permits later than expected or for a lower number of buildable sqm. Any such inability

to obtain, or delay in obtaining, permits or consents could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Changing residential trends may adversely affect sales of developments

The Group is involved in residential, commercial and retail development projects. Changing residential trends are likely to emerge within the markets in Central and Eastern Europe as they mature and, in some regions, relaxed planning policies may give rise to over-development, thereby affecting the sales potential of the Group's residential developments. These factors will be considered within the investment strategy implemented by the Group but may not always be anticipated and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is exposed to the risk of illiquidity of real estate investments

Investments in real estate are relatively illiquid and are generally more difficult to realize than other investments. Proceeds from current or future asset sales may not meet the Group's expectations, or the Group may not be able to sell assets on the expected terms. Disposal of assets could take longer than may be commercially desirable which may have an effect on the timing of a disposal or on the funds received for a disposed property. Any delay in the disposal of a property or reduction in the sales price thereof could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The sales prices of real estate investments may decrease and thus may negatively affect the Group's business activity

Due to the recession in the Group's markets (for example in Hungary), the sales prices of real estate investments, single objects as well as portfolios, may stagnate or decline. This may result in lower sales prices for properties and lower revenues for the Group at constant costs.

Sales prices of real estate investments may also remain under pressure, as competitors face problems with refinancing their investments on the current market and – in case such refinancing is not possible – are forced to sell their properties at reduced prices thereby causing a negative impact on prices achieved by sellers in the relevant real estate market.

Delays and other problems in the sale of real estate investments may cause higher costs or a later realization of revenues

When the Group sells real estate investments, problems with the buyer may occur. Negotiations on the sales contract may last longer or may be more complicated which may result in additional costs. Furthermore, sales of real estate investments – single objects as well as portfolios – may be postponed or even cancelled by buyers resulting in unrecoverable costs.

Delays in the sales process may cause a later realization of revenues. As a consequence, the Group may face additional costs from interest payments during the delay period.

These external costs may not be recoverable in all cases. In addition to the external costs resulting from delays in the sales process, internal costs may arise due to necessary additional management attention, which are not in all cases quantifiable, but may have a negative impact on the Group's business.

The sale of real estate investments may expose the Group to long term liabilities

The sale of real estate investments – single objects or portfolios as well as subsidiaries – may expose the Group to liabilities, as the Group as seller has to issue guarantees or warranties vis-à-vis the buyer for several years. The buyer may claim payments out of these guarantees or warranties even after several years. Such payment claims may have a negative impact on the Group's value, financial condition and profitability.

2.2.3. Risks related to the Group's investment business

The Group is subject to pressure on rental yields

Additional new retail and office space is being developed in a number of markets in which the Group is currently active. Following the continued development of that additional retail and office space there may be pressure on rent levels, which may also have an adverse impact on the Group's rental returns, as well as the value of its properties, and as a consequence on the Group's business, financial condition, results of operations or prospects. Future development projects and acquisitions of property portfolios by the Group could prove unsuccessful.

A fall in market rent levels would adversely affect rents on new leases and on renewed leases. It would also make negotiations with existing tenants on increasing rents more difficult, particularly if this increase results in rent amounts under existing leases being higher than rent amounts under comparable new leases. A fall in market rent levels could therefore have a significant adverse impact on the Group's business, financial condition and results.

The Group is exposed to letting risks

The value of a rental property depends to a large extent on the remaining term of the related rental agreements as well as the creditworthiness of the tenants. If the Group is unable to renew expiring leases on favourable terms and find and retain suitably creditworthy tenants willing to enter into long-term rental agreements, the market value of the relevant property will be adversely affected. The creditworthiness of a tenant can decline over the short or medium term, leading to a risk that the tenant will become insolvent or be otherwise unable to meet its obligations under the lease. If the Group's judgment about a significant tenant or about the location, use or desirability of a property proves to be incorrect, its income from the property may be significantly below its estimates while its operating costs remain largely fixed. Local law or regulations may restrict the levels at which rentals may increase, or index such rental increases to price indices. All of these factors could have a material adverse effect on the Group's business, assets, financial condition, results of operations or prospects.

The occupancy rate of the Group's rental investment properties could fall if the Group were to become less effective in marketing vacant properties. Property vacancies adversely affect the Group's results both because vacant properties earn no revenue, and because the Group's costs increase when units are vacant. Vacant units increase costs because they require fit out work before they are put on the market, and because the Group cannot pass on building costs relating to those units in the form of higher rents.

The Group cannot guarantee that it will be able to relet properties quickly and at satisfactory rent levels when tenants leave. Additionally, market conditions could be adverse or new regulations could further restrict rent increases when existing leases come up for renewal.

The Group is exposed to maintenance risks

The desirability of a rental property depends not only on its location but also on its condition. To remain desirable and to generate a revenue stream over the long term, a property's condition must be maintained or, in some cases, improved to meet the changing needs of the market. Most of the

Group's properties have been recently redeveloped, and are expected to require only standard maintenance in the near term. As these properties age, or as market requirements change, maintaining or upgrading these properties in accordance with market standards may entail significant costs, which are typically borne primarily by the property owner, not the tenants. If the actual costs of maintaining or upgrading a property exceed the Group's estimates, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if the Group is not permitted to raise its rents due to legal constraints under applicable local landlord-tenant laws, the Group will have to bear the additional costs. Furthermore, any failure by the Group to undertake relevant repair work in response to the factors described above could adversely affect the sales and rental incomes earned from affected properties. All of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to risks relating to its office and retail rental business

The Group faces risks specific to the office and retail rental business, which may have a negative impact on the value of its assets, its results, business and financial condition. These risks result from the following factors:

- The office and retail rental portfolio is more sensitive than residential property to the economic environment in the relevant markets.
- Renovation work required on vacant units before they are relet is often more extensive in the office and retail segment than in the residential segment.
- The risk of tenants becoming insolvent and the resulting impact on Group results is greater in the office and retail segment because of the greater relative importance of each tenant.

The Group is exposed to index risks

Most of the Group's leases include a clause that provides for partial or full indexation of the rent, in most cases in line with consumer price indices or other similar indices, and the rent payable is pegged to the euro on local currency. The Group may not be able to fully index its leases to appropriate consumer price indices due to increasing competition in the real estate markets, which would materially adversely affect the value of the relevant properties.

If a lease is not fully indexed and, as a result, the rent remains constant for a lengthy period, while the Group's costs of maintaining, operating and administering the property increase due to inflation, this would adversely affect the Group's operating results. If such leases are terminated after a long period, then the index link may subsequently cause a significant deviation in the rent achievable on reletting if market rates have not kept up with the rate of inflation or deviate from the development of the euro. This may result in a material adverse effect on the Group's business, assets, financial condition and results of operations.

2.2.4. Risks related to the Group's asset management business

Risks related to the sustainability of the revenues of the Fund Manager

The Company is the sole shareholder of Endurance Real Estate Management Company S.A. (the "Fund Manager"), which is the fund manager of the Endurance Real Estate Fund and its sub-funds (the "Endurance Fund"). The Fund Manager earns management fees. As a result, the Group is subject to risks relating to the performance of the Endurance Fund, as described below in this section.

The success of the Endurance Fund will rely on the Fund Manager's ability to identify and acquire suitable investments (if any) and sell them when appropriate or at the end of the fund life. Such investments or disposals may be made over a substantial period of time and the Endurance Fund may

face the risk of interest rate fluctuations, adverse changes in the real estate markets and overall appetite of investors to realize transactions. The inability to or any delay in identifying suitable investments or disposals by the Fund Manager could have a material adverse effect on the management fees and disposal fees that the Company receives, through its ownership of the Fund Manager, from the Endurance Fund.

Some assets in sub-funds of the Endurance Fund may experience a deterioration of real estate values due to softening yields and thus breaches in financing covenants. In case of forced sales or handovers to banks, the Fund Manager's income from asset management fees or disposal fees could be reduced. Endurance Fund entered into residential co-developments with the Group which inherently represents higher risk profile investments than investments in finished products. In case the co-development projects are not completed, Endurance Fund asset management fees would not be realized.

The capacity of the sub-funds to pay outstanding fees to the Fund Manager depends on its capacity to generate positive cash flows. The Fund Manager exercising its rights under the relevant fund documents may elect to issue a capital call to pay its fees if the sub-funds' cash flows are not sufficient.

Uncertain future of the Fund Manager

The Fund Manager of the sub-funds may face the issue of unsatisfied Endurance Fund unitholders who may call for a replacement of the Fund Manager.

The Company may be diluted if it fails to satisfy its uncalled capital commitments

The Company is an investor with uncalled capital commitments in several sub-funds of the Endurance Fund. If the Company cannot, due to the Safeguard Procedure or to a lack of funds, satisfy its called commitments the participation of the Company in the respective sub-fund(s) will be diluted.

The Endurance Fund may choose to acquire desirable investment properties thus restricting the Group's attractive investment opportunities

If a project that the Group is considering for investment meets the Endurance Fund's investment strategy policy, then the Group must offer that project first to the Endurance Fund and may only invest in the project if the Endurance Fund rejects it. The Endurance Fund's investment strategy is to invest in superior quality real estate having a stabilized cash flow with the potential to add value through active asset management. If the Endurance Fund invests in the desirable investment properties that the Group would otherwise seek to acquire, that may have a material adverse effect on the Group's revenues from its investment portfolio and on its business, financial condition, results of operations and prospects.

2.2.5. Risks related to the geographic markets in which the Company operates

Economic or political developments in Croatia, the Czech Republic, Germany, Hungary, Luxembourg, Poland, Russia or Slovakia could have a material adverse effect

The Group's operations in Croatia, the Czech Republic, Germany, Hungary, Luxembourg, Poland, Russia, Croatia and Slovakia are exposed to risks common to all regions that have recently undergone, or are undergoing, political, economic and social change, including currency fluctuations, exchange control restrictions, an evolving regulatory environment, inflation, economic recession, local market disruption, labour unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies, levels of economic growth, expected declines in the birth rate and other similar factors. Political or economic instability resulting from the occurrence of

any of these risks may adversely affect the real property market in the affected country or countries. The level of risk that the Group faces differs significantly between the different countries where the Group operates. It is generally believed that the risk in Central and Eastern European countries, which are members of the European Union, is lower compared to countries, such as Russia and Croatia, which are not members of the European Union. However, the Group is affected by these issues in each of the markets in which it operates. For instance, Hungary has been more affected by the crisis than its Central European neighbors. Many of these factors are entirely beyond the Group's control. Adverse economic or political developments in the markets where the Group operates may have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The legal systems and procedural safeguards in Central and Eastern Europe are not fully developed

Many of the agreements concluded with local partners and service providers in Central and Eastern Europe for the ownership, development, construction and management of the land and/or properties in which the Group has invested are subject to the laws of the jurisdiction where the property is located. The legal systems of most of these countries have undergone dramatic changes in recent years. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations.

Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under relevant laws and regulations in a reasonably timely manner or at all. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have been developed in Central and Eastern European countries, some of them lack an institutional history, and there may be no generally observed procedural guidelines. As a result, shifts in government policies and regulations tend to be more frequent and less predictable than in the countries of Western Europe. Moreover, a lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Government authorities have a high degree of discretion in Central and Eastern European countries and at times may exercise their discretion arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law. Further, governments may have the power in certain circumstances, by regulation or a government act, to interfere with the performance of, nullify or terminate contracts. Unlawful or arbitrary governmental actions may include the withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions.

The governments of some countries in which the Group operates may expropriate (either permanently or temporarily) part or all of a property at less than its full market value. Expropriation or nationalization of the companies in which the Group invests, their assets or portions thereof, potentially with little or no compensation, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

2.2.6. Financial risks

The Group is exposed to financing risk

The Group finances the majority of its real estate developments through borrowings. Although the Company has historically enjoyed positive relationships with several banks, due to the liquidity crisis on the financial markets and to the Safeguard Procedure, the Company and its subsidiaries may be unable to obtain the requisite waivers for covenant non-compliance or extensions on short term loans that finance long term assets and projects. If the Group is unable to obtain the requisite waivers or extensions, it may have to refinance those loans with the risk that loans may not be able to be

refinanced or that the terms of such refinancing may be less favourable than the existing terms of the original loans. The failure to obtain such refinancing or the obtention of refinancing on less favourable terms could adversely affect the Group's business, financial condition, results of operations and prospects.

Risk of the Company acting as guarantor of its subsidiaries under bank loans

The Company is frequently a guarantor of loans granted by various banks in different countries to the Company's various subsidiaries.

If a subsidiary is unable to meet its obligations under a particular loan agreement pursuant to which the Company has provided a guarantee, the Company may be required to reimburse the bank all amounts owed under such a loan agreement. While the Company was under the jurisdiction of the Tribunal de Commerce de Paris pursuant to a Safeguard Procedure, such guarantees from the Company were not enforceable. Following the approval of the Safeguard plan, however, all such subsidiary guarantees could be enforced against the Company and would be repaid according to the terms of the Safeguard plan.

Certain subsidiaries may be in breach of loan covenants

As of the date of this Prospectus, certain of the Company's subsidiaries failed to comply with financial ratios specified in their respective loan agreement and administrative covenants. Several of the Group's loan documents contain cross-default provisions that could be triggered. As a consequence, the lending banks may accelerate such loans which may result in a default and a forced sale of the pledged assets.

As of the date of this Prospectus, none of the banks are accelerating the loans but instead are continuing to accept regular payments of principal and interest under the loan agreements. However, the acceptance of payments under the loan agreements does not constitute a modification of the various loan agreements, or a waiver of any of the covenants and the bank's rights or remedies under the loan agreements, including the right to accelerate the loan in the future after the giving of notice. There can be no assurance, however, that the various banks will agree to modify or waive any of the loan covenants and rights or remedies under the loan agreements or require partial repayment of the relevant loans.

The Group's financing arrangements could give rise to additional risk

When the Group acquires a property using external financing, the Group usually gives a mortgage over the acquired property and pledges the shares of the specific subsidiary acquiring the property. There can be no assurance that the registration of mortgages and pledges has been concluded in accordance with applicable local law, and a successful challenge against such mortgages or pledges may entitle the lender to demand early repayment of its loan to the Group.

The Group's financing agreements contain financial covenants that could, among other things, require the Group to maintain certain financial ratios. In addition, some of the financing agreements require the prior written consent of the lender to any merger, consolidation or corporate changes of the borrower and the other obligors. Should the Group breach any representations, warranties or covenants contained in any such loan or other financing agreement, or otherwise be unable to service interest payments or principal repayments, the Group may be required immediately to repay such borrowings in whole or in part, together with any related costs. If the Group does not have sufficient cash resources or other credit facilities available to make such repayments, it may be forced to sell some or all of the properties comprising the Group's investment portfolio, or refinance those

borrowings with the risk that borrowings may not be able to be refinanced or that the terms of such refinancing may be less favourable than the existing terms of borrowing.

The Group is exposed to liquidity risk resulting from negative cash flow

The Group had adjusted EBITDA lower than interest expenses for the years ended 31 December 2009, 2008 and 2007, which exposed the Group to liquidity risk. This situation is primarily the consequence of the high loan to value ratio and is specifically addressed in the Safeguard plan. There can be no assurance that the Group will not experience negative cash flow from its operating activities in the future. If it records negative cash flow from its operating activities in future, it may need funding sources to finance its activities, which might not be available on reasonable terms or at all. In addition, the Group may need to sell or refinance assets in order to make debt service payments, potentially on less advantageous terms than those the Group could have realized in the absence of financing constraints.

The Group is exposed to interest rate risks

The Group uses floating and fixed rate debt financing to finance the purchase, development, construction and maintenance of its properties. When floating rate financing is used, the Group's costs increase if prevailing interest rate levels rise. While the Group generally seeks to control its exposure to interest rate risks by entering into interest rate swaps, not all financing arrangements are covered by such swaps and a significant increase in interest expenses would have an unfavourable effect on the Group's financial results and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Rising interest rates could also affect the Group's ability to make new investments and could reduce the value of the properties. Conversely, hedged interests do not allow the Company to benefit from falling interest rates.

The Group is exposed to currency risks

Currency risk is applicable generally to those business activities and development projects where different currencies are used for repayment of liabilities under the relevant financing to that of the revenues generated by the relevant property or project. Currency risk is managed where possible by using the same currency for financing as that in which revenues will be generated. In the event that different currencies are used, the Group companies limit the risk, where appropriate, by using hedging instruments. Any loss accruing to the Group due to currency fluctuations may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

2.2.7. Tax risks

The Company has its legal seat in Luxembourg hereafter called Orco Luxembourg. Since 12 February 2009, the central administration of the Company has been exercised from France. Hence, the tax residence of the Company is in France as of this date from a Luxembourg tax perspective. Nevertheless, the Company keeps a Luxembourg permanent establishment and Luxembourg will be entitled to tax the income attributable to this permanent establishment. An agreement has been reached with the Luxembourg tax authorities on the activities transferred to France. Since 8 June 2009, Orco Property Group has a branch in France registered at Registre du Commerce et de des Sociétés of Paris under the code 512 817 933 called hereafter Orco France . The activities were as a consequence legally transferred to the branch to align the legal structure with the tax structure.

ORCO PROPERTY GROUP

Société anonyme

The opening balance sheet of Orco France as of 12 February 2009 corresponds to the closing balance of Orco Property Group S.A in Luxembourg registered with the Luxembourg Trade and Companies Register under number B-44996) at the same date submitted to the Luxembourg tax authorities. Since 12 February 2009, the Company is fully liable to taxes in France. The income realized by the Company in France is liable to corporate tax at the rate of 33.1/3 %. However, according to articles 145, 216 and 219 I-a quinquies of the French tax code, dividends (as well as liquidation proceeds) received from certain shareholdings as well as capital gains realized on the disposal of certain shareholdings, will be 95 % exempt from corporate tax provided that the French “participation exemption” requirements are met.

The Company is liable to a “Contribution Economique Territoriale” (former business tax), based on a valuation of the assets and the added value produced. Its rate differs according to the place where the company is located. This contribution cannot exceed 3 % of the added value produced by the Company.

The transactions of the Company with its subsidiaries comply with the arm’s length principle on transfer pricing.

The income realized by the Luxembourg permanent establishment is liable to corporate income tax and municipal business tax at the global effective rate of 30.84% (i.e. 21.84% for corporate income tax and 9% for municipal business tax in Capellen). In addition, the Luxembourg permanent establishment is subject to net worth tax at the rate of 0.5% computed on its adjusted net assets.

The permanent establishment is subject to an annual contribution payable to the “Chambre de Commerce”. The contribution is levied on the taxpayer’s taxable profits (not taking into account losses carried forward) at a rate ranging from 0.2% to 0.025% depending on the level of taxable profits.

However, dividends (as well as liquidation proceeds) received from certain shareholdings as well as capital gains realized on the disposal of certain shareholdings by the Luxembourg permanent establishment, will be exempt from corporate income tax and municipal business tax provided that the Luxembourg “participation exemption” requirements are met.

On 6 July 2010 pursuant to [two](#) requests from the Direction Nationale d’Enquêtes Fiscales (DNEF), Madame DRAY and Madame TUTRICE, respectively Juge des libertés et de la détention du Tribunal de Grande Instance de Paris (75) and Juge des libertés et de la détention du Tribunal de Grande Instance de Nanterre (92), both issued orders allowing the DNEF to conduct a search and seizure of documents, notably at 25 rue Balzac, 75008 Paris, regarding the activities of the Company and Endurance Real Estate Management Company, S.A. (“EREM Co”).

The stated grounds for the search and seizure of documents against the Company was that the Company was presumed to have conducted commercial activities in France up until 15 February 2009 without making the corresponding fiscal declarations and accounting reports and that since 15 February 2009 has not declared its realized revenues and therefore not met its accounting obligations.

The stated grounds for the search and seizure of documents against EREM Co was that the Company was presumed to have conducted commercial activities in France without making the corresponding fiscal declarations and accounting reports. Both the Company and EREM Co deny these allegations.

On 8 July 2010 the DNEF conducted a search, notably on the premises at 25 rue Balzac 75008 Paris, and seized documents. A full account of the search and seizure was provided in reports (“Procès Verbal”). On 12 July 2010 the DNEF issued a notification of the orders and subsequently the Company and EREM Co appealed the orders before the Cour d’Appel de Paris and the Cour d’Appel de Versailles.

A hearing was scheduled on 30 November 2010 and a decision will be rendered on 11 February 2011.

The Group is exposed to international tax risks

As the Group develops real property in several different tax jurisdictions, it is exposed to risks associated with possible changes in tax laws - or the interpretation of tax laws - in the various countries in which it does business.

2.2.8. Valuation risks

The Company owns equity securities in its subsidiaries and joint ventures as well as certain derivative securities issued by the Company or is the lender of intercompany loans. Such financial instruments, when not eliminated in the consolidation process, are classified in the consolidated balance sheet at fair value through profit or loss or as trading financial instruments.

These financial instruments are valued at each reporting period based either on independent valuers' reports or on management estimates. The change in the appraised values, in each period, is recorded in the consolidated income statement. To limit its price risk arising from such investments and embedded derivatives, the Group only enters these operations if they are linked to operational decisions.

The values determined by independent appraisers are based on numerous assumptions that may prove incorrect and are also dependent on trends in the relevant operational, credit and equity markets. As a result, the valuation of such financial instruments may not reflect potential realization prices. In addition, the figures may vary substantially between valuations depending on investors' risk appetite, credit risk, interest rates, stock markets and operational performance of companies that issued the financial instruments. A decline in valuation may have a significant adverse impact on the Group's financial position and results.

There is also a risk in relation to the reliability of valuations undertaken by the external appraiser, DTZ and the fact that only 43% the portfolio value has been appraised as of 30 June 2010 (refer to section 2.2.1 paragraph "The Group's property valuations may not reflect the real value of its portfolio, and the valuation of its assets may fluctuate from one period to the next").

2.2.9. Risks related to court proceedings linked to capital increases in April 2010

On 6, 8 and 14 April 2010, the Company's board of directors decided to proceed with three capital increases within the Company's authorized capital in accordance with Article 5 of the Company's by-laws. The capital increases were legally challenged by certain shareholders. A brief summary of the legal actions is set forth below.

Three of the Company's minority shareholders acting in concert, Millenius Investments S.A., Clannathone Stern S.A. and Bugle Investments Ltd (collectively the "Applicants") requested in a pleading against the Company dated 14 April 2010 in Luxembourg (before "le Juge des référés de Luxembourg") a suspension of the first and second capital increases. At that time the third capital increase had not yet been published. By order dated 22 April 2010, le Juge des référés de Luxembourg rejected the Applicants' claim that the share capital increases were in the corporate interest of the Company. This decision was appealed by the Applicants on 25 May 2010. A procedural hearing took place on 8 June 2010. During that hearing it was decided that arguments would be presented on 14 December 2010. Following the hearing of 14 December 2010, a decision has been rendered on 19 January 2011 by which the court "*la Cour d'appel, septième chambre, siégeant en matière d'appel de référé*" rejected the Applicants' claim.

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On 23 April 2010, 17 May 2010 and 1 June 2010 the Applicants filed their submissions on the merits (“au fond”) against the Company and its new shareholders, AXA Investment Managers, Hillgrove Investments Group Limited, Finplat, Lansdowne Capital, Neptune Invest and Alandia Investments with the District commercial court in Luxembourg (“Tribunal d'arrondissement de Luxembourg, siégeant en matière commerciale”). The purpose of these claims is to cancel resolutions number 1 and 2 of the Company’s general meeting held on 8 July 2008 pursuant to which the Company’s board of directors was authorized to increase the share capital up to EUR 300,000,000 and, consequently to cancel the resolutions of the board of directors’ decisions dated 6, 8 and 14 April 2010 related to the capital increases. These claims also aim at cancelling the general assembly of 26 April 2010. These three legal proceedings have been merged by the court in Luxembourg into one legal proceeding for the efficient management of the files. The hearing regarding all three matters scheduled on 25 January 2011 has been adjourned until 1st February 2011.

The Company considers that it has strong arguments to contest the legitimacy of these legal actions. However, there is always a risk that the judge renders a decision in favour of the Applicants.

Should the court invalidate the Company's Board of Directors' capital increase resolutions on procedural or technical grounds, this decision would not have a retroactive effect pursuant to the Luxembourg law of 1915 regarding commercial enterprises. The only consequence would be to prevent new capital increases based on the original resolutions. The capital increases and corresponding issuance of shares that had already taken place prior to the decision would remain valid.

Should the court instead invalidate the Company's Board of Directors' capital increase resolutions on substantive grounds, a result that would run counter to the current state of the law, this decision could have a retroactive effect but could take place in the following ways, according to the judgment and discretion of the court:

First, the invalidation of the Company's Board of Directors' capital increase resolutions could take place without invalidating the resolutions taken by the General Assembly of shareholders. Were this to occur, there would be no consequence on the validity of the newly issued shares and there would be no further action required.

Second, the invalidation of the Company's Board of Directors' capital increase resolutions could take place along with the invalidation of the resolutions taken by the General Assembly of shareholders but without invalidating the newly issued shares. Were this to occur, there would similarly be no consequence on the validity of the newly issued shares and there would be no further action required.

Finally, the invalidation of the Company's Board of Directors' capital increase resolutions could take place along with the invalidation of the resolutions taken by the General Assembly of shareholders and also invalidating the newly issued shares. Were this to occur, it would not be possible to question the validity of any transactions that took place on the regulated markets unless the third party sellers or purchasers acted in bad faith. The Belgian Commercial Code (Art. 180, Code belge des sociétés), as well as the French Commercial Code (Art. L. 235-12 Code de commerce (France)) both confirm that the transactions of good faith sellers and purchasers cannot be cancelled and this position is similarly confirmed by Luxembourg doctrine (C. et J. Delvaux, "La société anonyme", ed. 2009).

The foregoing analysis has been verified by the Company's internal counsel, external counsel, and legal experts in the Luxembourg community. Based on this analysis, and subject to the judgment and discretion of the court, it is the Company's opinion that the risks of unwinding transactions in the

marketplace due to the potential invalidation of the Company's Board of Directors' capital increase resolutions is minimal.

In the event that the Luxembourg courts decide to cancel all or part of the capital increases and following the conclusion of all grounds for appeal rendering the court order final and executory, the Company will refund those shareholders who took part in the cancelled capital increase(s) at the price at which they invested and then cancel the newly issued shares.

The direct consequence of this operation would be that the Company treasury would be reduced by the corresponding amount of the cancelled capital increase(s).

The stock exchange is a tool that the Company has used successfully for many years, and in the event of cancelled capital increase(s), the Company will carry out a new capital increase so as to ensure its continued development.

2.2.10. Risks related to the Safeguard Procedure

The Safeguard plan may be amended or canceled if the creditors challenging the judgment of the Tribunal de Commerce de Paris are successful

The Tribunal de Commerce de Paris (“**Tribunal**”) rendered its approval of the Safeguard plan of the Company on 19 May 2010. On 28 May 2010, an opposition challenging the Safeguard plan was filed by Maître François Kopf, attorney for Mr. Luc Leroi, bondholders’ representative for the 2010 Bonds, ISIN FR0010249599 (as defined bellow), 2013 Bonds, ISIN FR0010333302 (as defined bellow), and 2014 Bonds, ISIN XS0291838992 and XS029184062 (as defined bellow). This third party opposition regarding these three groups of bonds contests the maximum bond liability to be reimbursed within the Safeguard plan. A hearing scheduled at the Tribunal on 12 October 2010 was deferred until February 2011.

If the creditors are successful in challenging the Safeguard plan, the Tribunal may determine to put the Company in a rehabilitation or judicial liquidation proceeding. A rehabilitation proceeding or judicial liquidation may materially adversely affect the Group's business, financial condition, results of operations or prospects.

The Company may not be able to satisfy its obligations under the Safeguard plan

If the Company were to fail to meet its obligations under the Safeguard plan, the Tribunal could decide, at the request of the *commissaire à l'exécution du plan* or at a creditor's request, to terminate the Safeguard plan and open a rehabilitation or judicial liquidation proceeding. A rehabilitation proceeding or judicial liquidation may materially adversely affect the Group's business, financial condition, results of operations or prospects.

2.3. The Safeguard Procedure

2.3.1. Introduction

By judgment of the Tribunal dated 25 March 2009 and pursuant to the European Regulation n°1346/2000 and articles L.620-1 *et seq.* of the French Commercial Code, the Company was placed under a Safeguard Procedure (*Procédure de Sauvegarde*) in Paris, where the Company’s center of

main interests was found by the Court to be located, for an initial "observation period" of six months, which was later extended twice until 25 June 2010.

During this observation period, the Company was entitled to continue its activities without paying the liabilities it incurred prior to the judgment opening the procedure, but any liability incurred after the judgment opening the procedure (i.e. 25 March 2009) had to be paid by the Company as and when it falls due.

A judicial administrator was appointed in order to oversee the running of the Company. Although the Company's management must keep the administrator informed of the Company's ongoing business, the administrator had no legal power to act on behalf of the Company and only the management was empowered to act on behalf of the Company, subject to:

- settlement agreements, granting of security interests and more generally "acts which do not fall within the ordinary course of business", which had first to be authorized by the supervisory judge (*juge commissaire*), and
- the prohibition to pay liabilities incurred prior to the opening of the Safeguard Procedure, which shall be repaid according to the draft Safeguard plan.

The Tribunal also appointed a judicial receiver (*mandataire judiciaire*) in charge of collecting the declaration of claims from the Company's creditors.

During the first six months of the observation period, the Company prepared a draft Safeguard plan. The draft Safeguard plan was submitted to the main suppliers' committee on 7 September 2009, and then to the Safeguard's general bondholders' meeting on 24 September 2009. For the bonds issued by the Company, which represent the majority of its liabilities, the draft Safeguard plan included the exchange of the existing bonds against new convertible bonds, new shares, and new warrants. The main suppliers' committee voted in favour of the plan, but the Safeguard's general bondholders' meeting rejected it despite amendments made to its proposal by the Company during the meeting.

In case of such rejection, Safeguard law provides that the Company shall, together with the judicial administrator, prepare a draft Safeguard plan providing for the repayment of the liabilities over a maximum period of ten years.

The Company therefore prepared a draft Safeguard plan providing for the repayment of the liabilities over ten years, which main terms are the following:

- The draft Safeguard plan repayment schedule for bonds is detailed in section 2.3.3. "the debt rescheduling plan"
- The Company granted security interests to banks financing its subsidiaries and may therefore be liable to banks should such security interests be enforced. Such liabilities towards banks are therefore subject to (i) a default of the relevant subsidiary in the repayment of a secured loan, and (ii) the due enforcement by a bank of the relevant security interest granted by the Company. Should a bank validly enforce such a security interest, the Company would have to pay the amounts due to the bank pursuant to the repayment schedule provided for in the Safeguard plan, it being specified that the Company would have to pay, on the first annuity after the bank has validly enforced its security interest, an amount corresponding to the amount that the Company should have paid in relation to the preceding annuities of the Safeguard plan had the security interest been enforced at the time of the judgment ruling on the Safeguard plan.
- Some of the Company's subsidiaries have also declared liabilities on the basis of reverse shareholder loans. Such loans having a contractual repayment date that is later than the end of the Safeguard plan, they shall be repaid at such contractual repayment date.

The draft Safeguard plan was circulated to creditors on 30 March 2010 by the judicial receiver. Creditors had a 30-day period following the receipt of the draft Safeguard plan to either accept or reject it. Such expression of opinion by the creditors was relayed by the judicial receiver to the Tribunal.

The Tribunal has the power to adopt the draft Safeguard plan, *i.e.* impose it on the Company and its creditors, regardless of the creditors' approval or rejection of the proposed plan.

The draft Safeguard plan was discussed with the Tribunal at a hearing which was held on 12 May 2010. The decision of the Tribunal was rendered on 19 May 2010, where the tribunal announced it has approved and adopted the Company's Safeguard plan.

The Tribunal appointed Maître Laurent le Guernevé as "*Commissaire à l'exécution du plan*" in charge of overseeing the performance of the Safeguard plan by the Company. Maître Le Guernevé will more specifically be in charge of distributing among the Company's creditors the amounts that are due to them under the Safeguard plan.

In its judgment dated 19 May 2010, the Tribunal recapitulated the main steps of the procedure since its opening on 25 March 2009, the story of the Company, its business, the origin of its difficulties, its recovery perspective, the financial restructuring schedule submitted by the chief executive officer to the Tribunal, the indebtedness situation, the rescheduling terms of its indebtedness and the opinions of the *administrateur judiciaire*, *mandataire judiciaire*, *représentant du personnel* and *représentant du ministère public*. In this context, the Tribunal approved the Safeguard plan of the Company and set the payment date of the claims admitted to the Safeguard plan and rescheduled over ten years on 30 April of each year starting from 30 April 2011. For the sake of clarity, it is reminded that the draft Safeguard plan submitted to the Tribunal for approval was based on a payment date which was expected to be 10 May each year starting from 10 May 2011.

Please refer to 2.2.10 *The Safeguard may be amended or canceled if the creditors challenging the judgment of the Tribunal are successful* above for further details regarding appeals to the Safeguard plan.

2.3.2 Ten year outlook

The 10 year outlook described in this section and in Schedule H was established for the purpose of the Safeguard plan, it is in no way prediction or forecast of the Group results, it is only an estimate of probable cash flows based on the strategies to be implemented by the Board of Directors to be able to face the obligations under the debt rescheduling plan as approved by the Tribunal de Commerce de Paris.

The main guiding principle of the Company's strategy over the coming ten years involves generating the short and medium-term investment capacity needed to create and realize the long-term value required for settlement of its liabilities.

In Schedule H, the reader will find: (a.) the summary table for the 10 year outlook that was approved by the Tribunal de Commerce de Paris on 19 May 2010, (b.) the specific assumptions at the basis of the business plan and (c.) a report from an independent auditor.

2.3.2.1 Objectives

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The Company's major objectives are:

- in the short term, to complete its profitable projects in order to generate rapid cash;
- in the short to medium term, to take advantage of the progressive recovery in the institutional property markets to sell non-strategic or mature assets, particularly in Germany, and to undertake the investments required for the plan's terminal value creation and realization;
- in the short to long term, to generate sufficient cash inflows to service the rescheduled debt; and
- in the long term, to position the Group for further growth, while providing superior shareholder returns.

Assuming the successful implementation of this business plan, the Company shall have:

- restructured its balance sheet through debt repayment and further capital increases;
- managed its risk profile through portfolio and geographical diversification;
- secured a strong revenue stream sustainable throughout various market cycles; and
- fully capitalized on its highly skilled and experienced team, excellent market exposure, significant landholdings and strong rental portfolio.

2.3.2.2 Business plan assumptions

The Company does not directly own any real estate assets, which are instead owned by dedicated subsidiaries. However, all the cash derived from the subsidiaries' transactions is centralized at the Company level, which also distributes it among its subsidiaries. This is why this business plan incorporates all cash flow forecasts of wholly owned subsidiaries. Financial flows between the Company and its not wholly owned subsidiaries or partnerships are recorded for intercompany cash outflows (the funding requirements) or for intercompany cash inflows (repayment of interest, dividends and disposal flows).

The business plan assumes:

- the extraction of value from existing assets and existing land plots as well as the development of new projects to create medium and long-term value, thus ensuring repayment in full of the bond debt;
- the implementation of a conservative strategy which stabilizes the Group on its landbank and generates recurring income; and
- the adjustment of the maturity of the Group's liabilities - primarily bond based - to the Group's income expectations, which have been postponed by the crisis.

The Company's business plan thus relies on maintaining investment capacity that generates cash flows - with a delay – that ensure the settlement of its liabilities. The required investment capacity can be fuelled by:

- the recurring net income derived from the Group's investment properties;
- the margin earned on residential and commercial property development;
- the sale of mature investment assets; and
- repayment of the funds granted by the Company to its joint ventures (AIG, GE, Molcom, etc.) and receipt of dividends (from ORCO Germany, Molcom, etc.).

The above investment capacity may eventually be reinforced by the following equity contributions not included in the present business plan:

- a share capital increase subscribed by one or more new investor(s) and/or by existing shareholders; and

- exercise of the existing warrants, whether spontaneously or under the Company's direction.

Raising additional capital would secure equity financing of existing developments, stabilize its Safeguard plan, avoid distressed asset sales and allow reinvestment into existing and "ready to go" projects.

2.3.2.3 Implementation

The business plan is based on two main pillars:

- Commercial and Investment Properties: acquisition of existing assets with value-added potential i.e. high vacancy ratios, structural works requirements, and/or lease engineering potential. A full investment cycle is divided into three parts (i) acquisition : 2-3 years, (ii) active asset management : 3-4 , and (iii) maturity when 10-15% of the portfolio is disposed of every year to redeploy capital in higher yielding and non-mature projects : 2-3 years.
- Development: acquisition of land, obtention all administrative documents needed, construction, letting and /or sale of residential or commercial properties.

The business plan will be implemented in three successive phases between 2010 and 2020.

Phase 1: 2010- 2013:

- finalization of current projects (both commercial and residential) and dynamic management of non-mature assets (reduction of vacancy, structural works, lease engineering);
- sale of mature assets of the rental portfolio;
- orderly sale of non-core activities;
- sale of existing residential backlog; and
- investment of free cash in the (i) development of the existing (mostly residential) land bank and (ii) creation of a new Commercial and Investment Properties portfolio.

Phase 2: 2014- 2016:

- Commercial and Investment Properties: reduction of the investment intensity to a lower long-term average in order to concentrate on asset management of assets acquired over the course of the previous phase. First sale opportunities (up to 10% of the portfolio) for assets acquired in 2010-2013;
- residential and commercial development: overlapping succession of investments and sale of stocks on short term cycles (3 years for residential, 3-4 years for commercial). Acquisition of new land bank as the existing reserve was developed in the previous cycle; and
- Bubny: investments in the planning authorization process as well as infrastructure works and first residential and office phases.

Phase 3: 2017-2020:

- Commercial and Investment Properties: maturity/arbitrage/sale phase for the portfolio of assets acquired in 2010-2015 (up to 15% for years 2018-2020). Selective re-investments of proceeds in new buildings to be managed with the Safeguard debt amortization;

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- residential and commercial development : same succession of 3 to 4 year phase of investment-development-sale as the previous phase; and
- Bubny reaches its full potential with the combined effect of (i) the investments of the previous cycles that created the offer for 2017-2020 and (ii) continued investments in office, retail and residential, land development projects either directly or by the means of joint ventures.

2.3.3. The debt rescheduling plan

The Safeguard plan involves rescheduling the Company's liabilities – essentially the Company's bonds - so as to enable the Group to generate the investment capacity required to pursue – cycle by cycle – the value creation needed for it to repay its creditors in full.

The Company's debt structure has two major components: debt to bondholders and debt to other creditors. The sections below set forth the intended repayment schedule for both categories, including the conditions and timeline.

2.3.3.1 Debt to bondholders

Between 2005 and 2007, the Company issued several bonds listed on various markets (referred to as "Bonds"). The holders of these bonds ("bondholders") represent the most important creditors of the Company. The table below lists the principal amount at issuance of the Bonds.

Categories of Bonds	Aggregate principal amount
Bond issue 18 November 2005	EUR 50,272,605.30
Bond issue 3 February 2006	CZK300,000,000.00 (EUR 10,991,024.00)
Bond issue 30 June 2005	EUR 24,169,193.39
Bond issue 17 May 2006	EUR 149,999,928.00
Bond issue 22 March 2007	EUR 175,000,461.60

The bond issued by Orco Germany SA is not part of the Safeguard Procedure limited to liabilities of the Company.

In preparing the draft Safeguard plan, the Company calculated the maximum amount that could be due to bondholders, including all redemption premiums, 10 years of interest, no conversion or compensation through the Warrants. This maximum Bond liability that would be due over 10 years would amount to EUR 614,181,761.02. Considering a payment date on 30 April of each year, the Company adjusted the calculations of the draft Safeguard plan and according to the previously mentioned assumptions, the maximum Bond liability that would be due over ten years would amount to EUR 613,875,911.98.

The Bonds are divided into two categories: bonds without access to the Company's equity and bonds giving access to the Company's equity.

Bonds without access to the Company's equity

Bond issue: 6 January 2006 ("2011 Bonds")

Floating Rate Bonds

Issue date: 3 February 2006

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Aggregate principal amount: CZK 300,000,000.00 (EUR 10,991,024.00 according to the EUR/CZK exchange rate applicable as of 25 March 2009)

Total recognized liability (calculated according to a payment date on 10 May of each year): EUR 16,385,454.16

Total recognized liability (calculated according to a payment date on 30 April of each year): EUR 16,368,752.67

Maturity date: 3 February 2011

Listed in bearer form on the secondary market of the Prague Stock Exchange (ISIN: CZ00000000195)

Representative : Ceska Sporitelna

Applicable jurisdiction : Czech Republic

Bond issue: 30 June 2005 ("2012 Bonds")

Convertible bonds into Suncani Hvar shares

Issue date: 30 June 2005

Aggregate principal amount: EUR 24,169,193.39

Total recognized liability (calculated according to a payment date on 10 May of each year): EUR 38,675,614.09

Total recognized liability (calculated according to a payment date on 30 April of each year): EUR 38,635,075.74

Maturity date: 30 June 2012

Listed in bearer form on Euro MTF, Luxembourg (ISIN : XS0223586420)

Representative: Maître Benoît E. Diouf

Applicable jurisdiction: Luxembourg

Bonds giving access to the Company's equity

Bond issue: 14 November 2005 ("2010 Bonds")

Bonds with warrants attached

Issue date: 18 November 2005

Aggregate principal amount: EUR 50,272,605.30

Total recognized liability (calculated according to a payment date on 10 May of each year): EUR 83,296,221.63

Total recognized liability (calculated according to a payment date on 30 April of each year): EUR 83,225,668.78

Maturity date: 18 November 2010

Listed in nominative form on Eurolist market of Euronext Paris SA (ISIN: FR0010249599)

Representative: Mr Luc Leroi, replacing Mrs. Bertrand-Leroi

Applicable jurisdiction: Luxembourg

Each bond was issued with 15 warrants attached; each warrant initially entitled its holder to subscribe to one share of the Company ("2012 Warrants")

Bond issue: 17 May 2006 ("2013 Bonds")

Convertible bonds into the Company's shares

Issue date: 1 June 2006

Aggregate principal amount: EUR 149,999,928.00

Total recognized liability (calculated according to a payment date on 10 May of each year): EUR 223,826,390.70

Total recognized liability (calculated according to a payment date on 30 April of each year): EUR 223,782,768.78

Maturity date: 31 May 2013

These warrants are listed on Euronext Paris (ISIN: FR0010333302)

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Representative: Mr Luc Leroi, replacing Mrs. Bertrand-Leroi

Applicable jurisdiction: Luxembourg

Bond issue: 22 March 2007 ("2014 Bonds")

Bonds providing access to the Company's capital based on attached warrants

Issue date: 28 March 2007

Aggregate principal amount: EUR 175,000,461.60

Total recognized liability (calculated according to a payment date on 10 May of each year): EUR 251,998,080.34

Total recognized liability (calculated according to a payment date on 30 April of each year): EUR 251,863,646.02

Maturity date: 28 March 2014

Listed in nominative form on Euronext Bruxelles (ISIN : XS0291838992)

Warrants: each bond was issued with 15 warrants attached, each of them initially entitling its holder to subscribe to one share of the Company ("2014 Warrants").

2014 Warrants are listed on Euronext Bruxelles and Euronext Paris (ISIN: XS0290764728 and XS0291838992).

Instrument comprising one 2014 Bond and five 2014 Warrants are listed under ISIN XS0291840626.

Representative: Mr Luc Leroi, replacing Mrs. Bertrand-Leroi

Applicable jurisdiction: Luxembourg

2.3.3.2 Debt to other creditors

The Company's non-bond creditors have submitted their claims to the creditor representative appointed by the Tribunal (subject to verification and validation) for a total debt of EUR 862.6 Million, mainly comprising contingent liabilities in respect of certain commitments of subsidiaries guaranteed by the Company and (residually) contingent liabilities in respect of the 2014 Warrants, as well as intercompany liabilities.

Suppliers

Subject to verification and validation, suppliers represent total liabilities of EUR 0.6 Million.

Creditors under guarantees provided by the Company

The Company's property projects are undertaken by dedicated subsidiaries which have recourse to bank loans to finance the projects. The Company has guaranteed certain of its subsidiaries' commitments under such loans.

Creditors in respect of the 2014 Warrants

The 2014 Warrants issued by the Company on the basis of the prospectuses approved by the Commission de Surveillance du Secteur Financier on 22 March 2007 and 22 October 2007 (ISIN XS0290764728) could result in a liability for the Company in the event of any change in its control. Subject to verification, total liabilities of EUR 0.7 Million are involved.

Intercompany creditors

Subject to verification and validation, intercompany creditors represent total liabilities of EUR 151.7 Million. The maturity of these loans takes place after the Safeguard plan's end.

2.3.3.3 Debt rescheduling as part of the Company's business plan

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It is proposed to repay 100% of the registered claims, subject to verification and validation, over ten years (based on the following schedule) with effect from the first anniversary of the judgment approving the Safeguard plan:

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

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

This repayment schedule is consistent with the timing of the Group's property investment and development projects which the economic crisis has delayed well beyond the Company's main bond maturities of 2013-2014.

The schedule is such as to cover the Company's maximum cash outflows based on the following elements:

- the Bonds' total recognized liability; and
- the maximum amount of the guarantees provided by the Company as surety for its subsidiaries' commitments estimated on the basis of the difference between the latest market value of each applicable property less a discount of 7%, plus 3% of selling costs (brokers, lawyers) and the balance remaining due under the corresponding guaranteed loan.

Bonds without access to equity (repayable in 2011 and 2012)

The bonds repayable in 2011 and 2012 do not give access to the Company's equity. The amount repayable in respect of these bonds is thus not subject to any uncertainty and the annual amounts repayable under the Safeguard plan have been calculated on the basis of a recognized liabilities comprising the sum of the following items:

- the principal outstanding on the date of the judgment approving the Safeguard plan;
- the interest payable at the date of the judgment approving the Safeguard plan; and
- all interest accruing throughout the duration of the Safeguard plan (calculated each year after adjustment for the progressive amortization of principal under the Safeguard plan).

Repayment Schedule of 2011 Bonds (according to a payment date on 10 May of each year)

Term Out	10/05/2009	10/05/2010	10/05/2011	10/05/2012	10/05/2013	10/05/2014	10/05/2015	10/05/2016	10/05/2017	10/05/2018	10/05/2019	10/05/2020
Outstanding amount		10 991 024	10 991 024	10 991 024	10 991 024	10 991 024	10 723 355	10 424 165	9 291 192	7 447 851	4 531 981	0
Accrued interests at Judgment date finalizing the Plan		671 808										
Annual interests to be due			533 065	533 065	533 065	533 065	533 065	520 083	505 572	450 623	361 221	219 801
Sum Annual interests to be due		4 722 623										
Unconditional recognized liabilities		16 385 454	16 385 454	16 385 454	16 385 454	16 385 454	16 385 454	16 385 454	16 385 454	16 385 454	16 385 454	16 385 454
Amortization			2%	5%	5%	5%	5%	5%	10%	14%	20%	29%
Maximum annuities applicable on Bonds 2011		327 709	819 273	819 273	819 273	819 273	819 273	1 638 545	2 293 964	3 277 091	4 751 782	
Annuity per Bond 2011		10 923,64	27 309,09	27 309,09	27 309,09	27 309,09	27 309,09	27 309,09	54 618,18	76 465,45	109 236,36	158 392,72

Repayment Schedule of 2011 Bonds (according to a payment date on 30 April of each year)

Term out	30/04/2009	30/04/2010	30/04/2011	30/04/2012	30/04/2013	30/04/2014	30/04/2015	30/04/2016	30/04/2017	30/04/2018	30/04/2019	30/04/2020
Outstanding amount		10 991 024	10 991 024	10 991 024	10 991 024	10 991 024	10 712 425	10 413 540	9 281 721	7 440 259	4 527 361	0
Accrued interests		657 203										
Annual interests to be due			533 065	533 065	533 065	533 065	533 065	519 553	505 057	450 163	360 853	219 577
Sum Annual interests to be due		4 720 526										
Unconditional recognized liabilities		16 368 753	16 368 753	16 368 753	16 368 753	16 368 753	16 368 753	16 368 753	16 368 753	16 368 753	16 368 753	16 368 753
Amortization			2%	5%	5%	5%	5%	5%	10%	14%	20%	29%
Maximum annuities applicable on Bonds 2011		327 375	818 438	818 438	818 438	818 438	818 438	1 636 875	2 291 625	3 273 751	4 746 938	
Annuity per Bond 2011		10 912,50	27 281,25	27 281,25	27 281,25	27 281,25	27 281,25	27 281,25	54 562,51	76 387,51	109 125,02	158 231,28

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Repayment Schedule of 2012 Bonds (according to a payment date on 10 May of each year)

Term Out	10/05/2010	10/05/2011	10/05/2012	10/05/2013	10/05/2014	10/05/2015	10/05/2016	10/05/2017	10/05/2018	10/05/2019	10/05/2020
Outstanding amount	24 169 193	24 169 193	24 169 193	24 169 193	24 169 193	24 169 193	24 169 193	21 633 586	17 408 848	10 631 211	0
Accrued interests at Judgment date finalizing the Plan	2 469 231										
Annual interests to be due		1 329 306	1 329 306	1 329 306	1 329 306	1 329 306	1 329 306	1 329 306	1 189 847	957 487	584 717
Sum Annual interests to be due	12 037 190										
Unconditional recognized liabilities	38 675 614	38 675 614	38 675 614	38 675 614	38 675 614	38 675 614	38 675 614	38 675 614	38 675 614	38 675 614	38 675 614
Amortization		2%	5%	5%	5%	5%	5%	10%	14%	20%	29%
Maximum annuities applicable on Bonds 2012	773 512	1 933 781	1 933 781	1 933 781	1 933 781	1 933 781	1 933 781	3 867 561	5 414 586	7 735 123	11 215 928
Annuity per Bond 2012		0,83	2,08	2,08	2,08	2,08	2,08	4,17	5,83	8,33	12,08

Repayment Schedule of 2012 Bonds (according to a payment date on 30 April of each year)

Term out	30/04/2010	30/04/2011	30/04/2012	30/04/2013	30/04/2014	30/04/2015	30/04/2016	30/04/2017	30/04/2018	30/04/2019	30/04/2020
Outstanding amount	24 169 193	24 169 193	24 169 193	24 169 193	24 169 193	24 169 193	24 146 368	21 610 911	17 390 600	10 620 068	0
Accrued interests	2 432 811										
Annual interests to be due		1 329 306	1 329 306	1 329 306	1 329 306	1 329 306	1 329 306	1 328 050	1 188 600	956 483	584 104
Sum Annual interests to be due	12 033 071										
Unconditional recognized liabilities	38 635 076	38 635 076	38 635 076	38 635 076	38 635 076	38 635 076	38 635 076	38 635 076	38 635 076	38 635 076	38 635 076
Amortization		2%	5%	5%	5%	5%	5%	10%	14%	20%	29%
Maximum annuities applicable on Bonds 2012	772 702	1 931 754	1 931 754	1 931 754	1 931 754	1 931 754	1 931 754	3 863 508	5 408 911	7 727 015	11 204 172
Annuity per Bond 2012		0,83	2,08	2,08	2,08	2,08	2,08	4,16	5,83	8,32	12,07

Bonds giving access to equity (repayable in 2010, 2013 and 2014)

The bonds issued together with warrants (repayable in 2010 and 2014)

The bonds repayable in 2010 and 2014 give access to the Company's equity via the option (provided for in the issue contract) of using the bonds to pay the share subscription price (by offset) in the event of exercise of the Company's warrants expiring in 2012 or 2014. The amount of interest accruing after the date of offset and of redemption premium will thus remain uncertain until the date of expiry of the warrants maturing in 2012 and 2014 (namely 31 December 2019). Further, the redemption premium for the bond issue maturing in 2010 will only be recognized as a liability if the Company's share price on 18 November 2010 proves to be lower than the exercise price for the warrants expiring in 2012.

Payments under the Safeguard plan have thus been calculated for the bonds maturing in 2010 and 2014 on the basis of the recognized and certain liabilities for each applicable year comprising the sum of the following items:

- the principal outstanding on the date of the judgment approving the Safeguard plan;
- the interest payable at the date of the judgment approving the Safeguard plan;
- all interest accruing from the date of the judgment approving the Safeguard plan and due at the end of each applicable year; and
- for the last year of the Safeguard plan, the redemption premium.

The amount of recognized and certain liabilities thus evolves each year for the bonds not subject to offset given the continuing accrual of interest in favour of bondholders whose bonds remain outstanding (i.e. have not been offset).

On the assumption that no such offset of the bonds maturing in 2010 and 2014 takes place throughout the duration of the Safeguard plan, the cash outflows for settlement of the applicable liabilities may be calculated as follows:

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Repayment Schedule of 2010 Bonds (according to a payment date on 10 May of each year)

Term Out	10/05/2009	10/05/2010	10/05/2011	10/05/2012	10/05/2013	10/05/2014	10/05/2015	10/05/2016	10/05/2017	10/05/2018	10/05/2019	10/05/2020
Outstanding amount		50 272 605	50 272 605	50 272 605	50 272 605	50 272 605	50 186 798	48 618 331	43 336 616	34 661 829	20 966 481	0
Recognition of newly unconditional repayment premium											10 054 521	
Recognition of newly unconditional interests		2 758 107	2 262 267	2 262 267	2 262 267	2 262 267	2 262 267	2 258 406	2 187 825	1 950 148	1 559 782	943 492
Unconditional recognized liabilities		53 030 712	55 292 979	57 555 246	59 817 514	62 079 781	64 342 048	66 600 454	68 788 279	70 738 427	72 298 209	83 296 222
Amortization		2%	5%	5%	5%	5%	5%	5%	10%	14%	20%	29%
Annuities based on unconditional recognized liabilities		1 105 860	2 877 762	2 990 876	3 103 989	3 217 102	3 330 023	3 443 136	3 556 249	3 669 362	3 782 475	3 895 588
Follow up of previous annuities on the unconditional recognized liabilities			45 245	158 359	271 472	384 585	496 698	608 811	720 924	833 037	945 150	1 057 263
Maximum annuities applicable on Bonds 2010		1 105 860	2 923 008	3 149 234	3 375 461	3 601 688	3 827 915	4 054 142	4 280 369	4 506 596	4 732 823	4 959 050
Annuity per Bond 2010		15,09	39,89	42,98	46,07	49,15	52,23	55,31	58,39	61,47	64,55	67,63

Repayment Schedule of 2010 Bonds (according to a payment date on 30 April of each year)

Term out	30/04/2009	30/04/2010	30/04/2011	30/04/2012	30/04/2013	30/04/2014	30/04/2015	30/04/2016	30/04/2017	30/04/2018	30/04/2019	30/04/2020
Outstanding amount		50 272 605	50 272 605	50 272 605	50 272 605	50 272 605	50 138 453	48 571 498	43 294 870	34 628 440	20 946 284	0
Recognition of newly unconditional repayment premium											10 054 521	
Recognition of newly unconditional interests		2 696 127	2 262 267	2 262 267	2 262 267	2 262 267	2 262 267	2 256 230	2 185 717	1 948 269	1 558 280	942 583
Unconditional recognized liabilities		52 968 732	55 230 999	57 493 266	59 755 534	62 017 801	64 280 068	66 536 299	68 722 016	70 670 285	72 228 565	83 225 669
Amortization		2%	5%	5%	5%	5%	5%	5%	10%	14%	20%	29%
Annuities based on unconditional recognized liabilities		1 104 620	2 874 663	2 987 777	3 100 890	3 214 003	3 326 815	3 439 628	3 552 441	3 665 254	3 778 067	3 890 880
Follow up of previous annuities on the unconditional recognized liabilities			45 245	158 359	271 472	384 585	496 698	608 811	720 924	833 037	945 150	1 057 263
Maximum annuities applicable on Bonds 2010		1 104 620	2 919 909	3 146 135	3 372 362	3 598 589	3 824 816	4 051 043	4 277 270	4 503 497	4 729 724	4 955 951
Annuity per Bond 2010		15,08	39,85	42,94	46,02	49,11	52,18	55,26	58,34	61,42	64,50	67,58

Repayment Schedule of 2014 Bonds (according to a payment date on 10 May of each year)

Term Out	10/05/2010	10/05/2011	10/05/2012	10/05/2013	10/05/2014	10/05/2015	10/05/2016	10/05/2017	10/05/2018	10/05/2019	10/05/2020
Outstanding amount	175 000 462	175 000 462	175 000 462	173 693 472	167 428 664	160 607 459	153 243 195	134 664 557	106 388 741	63 736 083	0
Recognition of newly unconditional repayment premium										30 625 081	
Recognition of newly unconditional interests		9 253 449	4 375 012	4 375 012	4 375 012	4 342 337	4 185 717	4 015 186	3 831 080	3 366 614	2 659 719
Unconditional recognized liabilities		184 253 911	188 628 922	193 003 934	197 378 945	201 721 282	205 906 999	209 922 185	213 753 265	217 119 879	219 779 597
Amortization		2,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	10,00%	14,00%	20,00%
Annuities based on unconditional recognized liabilities		3 772 578	9 650 197	9 868 947	10 086 064	10 295 350	10 496 109	10 696 868	10 897 627	11 098 386	11 299 145
Follow up of previous annuities on the unconditional recognized liabilities			87 500	306 251	521 080	711 572	883 341	1 034 392	1 245 647	1 356 456	1 376 396
Maximum annuities applicable on Bonds 2014		3 772 578	9 737 697	10 175 198	10 607 145	11 006 922	11 379 450	11 751 978	12 124 506	12 497 034	12 869 562
Annuity per Bond 2014		31,56	81,46	85,12	88,73	92,07	95,19	98,31	101,43	104,55	107,67

Repayment Schedule of 2014 Bonds (according to a payment date on 30 April of each year)

Term out	30/04/2010	30/04/2011	30/04/2012	30/04/2013	30/04/2014	30/04/2015	30/04/2016	30/04/2017	30/04/2018	30/04/2019	30/04/2020
Outstanding amount	175 000 462	175 000 462	175 000 462	173 587 992	167 326 989	160 509 926	153 150 134	134 582 779	106 324 133	63 697 378	0
Recognition of newly unconditional repayment premium										30 625 081	
Recognition of newly unconditional interests		9 133 586	4 375 012	4 375 012	4 375 012	4 339 700	4 183 175	4 012 748	3 828 753	3 364 569	2 658 103
Unconditional recognized liabilities		184 134 047	188 509 059	192 884 070	197 259 082	201 598 782	205 781 956	209 794 705	213 623 458	216 988 027	219 646 131
Amortization		2,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	10,00%	14,00%	20,00%
Annuities based on unconditional recognized liabilities		3 770 181	9 644 204	9 862 954	10 079 939	10 289 098	10 489 735	10 690 372	10 891 009	11 091 646	11 292 283
Follow up of previous annuities on the unconditional recognized liabilities			87 500	306 251	520 764	711 140	882 805	1 033 763	1 244 891	1 355 633	1 375 709
Maximum annuities applicable on Bonds 2014		3 770 181	9 731 704	10 169 205	10 600 703	11 000 238	11 372 540	11 744 842	12 117 144	12 489 446	12 861 748
Annuity per Bond 2014		31,54	81,41	85,07	88,68	92,02	95,13	98,25	101,37	104,49	107,61

The convertible bonds maturing in 2013

The bonds maturing in 2013 give access to the Company's equity via a share conversion option provided for in the issue contract. The amount of interest accruing after the date of conversion and of redemption premium will thus remain uncertain until the date of expiry of the contractual conversion period (namely 15 May 2013).

Basis of determination of the liabilities payable until 15 May 2013 inclusive

For the bond issue maturing in 2013, payments under the Safeguard plan have thus been calculated until 15 May 2013 on the basis of the recognized and certain liabilities for each applicable year (with effect from the first year of the Safeguard plan) comprising the sum of the following items:

- the principal outstanding on the date of the judgment approving the Safeguard plan;
- after the first annuity, as foreseen in the Safeguard plan, the sum of interests accruing from the date of the judgment approving the Safeguard plan until and including the applicable year (when the relevant claims become certain); and

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- after the first annuity, as foreseen in the Safeguard plan, the accrued and unpaid interests as of the date of the judgment approving the Safeguard plan.

The amount of recognized and certain liabilities thus evolves each year, until 15 May 2013, based on the number of bonds converted. Until 15 May 2013, the annuities paid to the outstanding bondholders will be adjusted each year in order to catch up the previous amortizations of the newly recognized and certain liabilities.

Basis of determination of the liabilities payable with effect from 15 May 2013

With effect from 15 May 2013, the amount of liabilities for the bonds maturing in 2013 will no longer be subject to uncertainty and therefore will reflect both the redemption premium and full amount of interest remaining to be accrued on the bonds that remain outstanding. From that date, the Safeguard plan annuities were calculated on the basis of a bond liability comprising the sum of the following items:

- the principal outstanding on the date of the judgment approving the Safeguard plan;
- the interest payable at the date of the judgment approving the Safeguard plan;
- the sum of interest accrued from the date of the judgment approving the Safeguard plan until 15 May 2013, and accruing until the final year of the Safeguard plan (calculated for each applicable year on the outstanding principal after taking account of prior annuities under the Safeguard plan); and
- the redemption premium.

On the assumption that no conversion of the bonds maturing in 2013 takes place throughout the duration of the Safeguard plan, the cash outflows for settlement of the applicable liability may be calculated as follows:

Repayment Schedule of 2013 Bonds (according to a payment date on 10 May of each year)

Term out	10/05/2010	10/05/2011	10/05/2012	10/05/2013	10/05/2014	10/05/2015	10/05/2016	10/05/2017	10/05/2018	10/05/2019	10/05/2020
Outstanding amount	149 999 928	146 999 929	143 600 849	137 173 973	137 173 973	137 173 973	137 173 973	137 173 973	107 952 734	64 266 983	0
Recognition of newly unconditional repayment premium					57 929 972						
Accrued interests	2 909 588										
Annual interests to be due		1 499 999	1 469 999	1 436 008	1 371 740	1 371 740	1 371 740	1 371 740	1 371 740	1 079 527	642 670
Sum Annual interests to be due					8 580 896						
Recognition of newly unconditional interests		0	4 409 587	1 469 999	10 016 904						
Unconditional recognized liabilities	149 999 928	149 999 928	154 409 515	155 879 514	223 826 391	223 826 391	223 826 391	223 826 391	223 826 391	223 826 391	223 826 391
Amortization		2%	5%	5%	5%	5%	5%	10%	14%	20%	29%
Annuities based on unconditional recognized liabilities	2 999 999	7 720 476	7 793 976	11 191 320	11 191 320	11 191 320	22 382 639	31 335 695	44 765 278	64 909 653	
Follow up of previous annuities on the unconditional recognized liabilities			88 192	102 900	8 153 625						
Maximum annuities applicable on Bonds 2013	2 999 999	7 808 667	7 896 876	19 344 945	11 191 320	11 191 320	22 382 639	31 335 695	44 765 278	64 909 653	
Annuity per Bond 2013		2,76	7,18	7,27	17,80	10,30	10,30	20,59	28,83	41,18	59,72

Repayment Schedule of 2013 Bonds (according to a payment date on 30 April of each year)

Term out	30/04/2010	30/04/2011	30/04/2012	30/04/2013	30/04/2014	30/04/2015	30/04/2016	30/04/2017	30/04/2018	30/04/2019	30/04/2020
Outstanding amount	149 999 928	146 999 929	143 562 630	137 137 808	137 137 808	137 137 808	137 137 808	137 137 808	107 931 695	64 254 458	0
Recognition of newly unconditional repayment premium					57 929 972						
Accrued interests	2 868 492										
Annual interests to be due		1 499 999	1 469 999	1 435 626	1 371 378	1 371 378	1 371 378	1 371 378	1 371 378	1 079 317	642 545
Sum Annual interests to be due					8 578 752						
Recognition of newly unconditional interests		0	4 368 491	1 469 999	10 014 378						
Unconditional recognized liabilities	149 999 928	149 999 928	154 368 419	155 838 418	223 782 769	223 782 769	223 782 769	223 782 769	223 782 769	223 782 769	223 782 769
Amortization		2%	5%	5%	5%	5%	5%	10%	14%	20%	29%
Annuities based on unconditional recognized liabilities	2 999 999	7 718 421	7 791 921	11 189 138	11 189 138	11 189 138	22 378 277	31 329 588	44 756 554	64 897 003	
Follow up of previous annuities on the unconditional recognized liabilities			87 370	102 900	8 153 322						
Maximum annuities applicable on Bonds 2013	2 999 999	7 805 791	7 894 821	19 342 460	11 189 138	11 189 138	22 378 277	31 329 588	44 756 554	64 897 003	
Annuity per Bond 2013		2,76	7,18	7,26	17,80	10,29	10,29	20,59	28,82	41,18	59,71

Modification of the basis of equity access

As provided for by section L. 228-106 of the French code of commercial law, the Safeguard plan requires modification of the bond issue agreements in order to adjust the offset or conversion ratios applicable to the bonds maturing in 2010, 2013 and 2014 in line with the progressive amortization of the nominal amount of the bonds scheduled under the Safeguard plan.

2.3.4 Impact of the Safeguard plan approval on financial statements

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

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

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

The future interest expenses (based on the value as at 19.05.2010 and bonds held by third parties as at June 2010) that will be accrued on OPG bonds from 2010 to 2020 is reported in the table below (in KEUR):

In KEUR

Interests expenses	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
CPGBonds	33 487	34 429	38 526	42 112	44 800	48 254	53 201	54 815	51 398	40 368	12 559	453 950

2.4. Capital Resources

The Group monitors its capital resources by reference to the loan to value ratio which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The level of capital is managed with the objective to maintain the loan to value ratio under 50%. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may adjust dividends paid to shareholder (notably by offering the possibility to receive the dividends in shares instead of cash), issue new shares, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

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2.4.1. Loan to Value

The following table shows the detailed calculation of the loan to value ratio. Apart from the caption Revaluation gains on projects and properties, all the lines correspond to specific items indicated on the face of the consolidated balance sheet. The Revaluation gains or losses on projects and properties represent the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties. The fair value may be lower than the book value of developments since the impairment test is performed on the basis of the expected selling once completed minus the remaining development and commercialization costs while the fair value corresponds to the sale price of the development as is at the date of valuation.

	September 2010	December 2009	December 2008	December 2007
Non current liabilities				
Financial debts	530 926	484 634	826 483	831 724
Current liabilities				
Financial debts	466 692	595 776	298 761	175 216
Current assets				
Current financial assets	-314	-488	-2 190	-11 222
Liabilities linked to assets held for sale	24 244	51 451	-	-
Cash and cash equivalents	-58 948	-57 040	-83 799	-257 977
Net debt	962 600 0	1 074 333	1 039 256	737 741
Investment property	1 077 397	1 072 304	1 211 718	1 564 947
Hotels and own-occupied buildings	231 365	215 393	245 273	294 170
Properties under development	-	-	99 673	104 369
Financial assets	31 077	32 353	70 681	82 182
Inventories	385 598	482 605	529 827	323 699
Assets held for sale	20 958	48 930	-	-
Revaluation gains on projects and properties	-8 039	-3 095	44 010	101 610
Fair value of portfolio	1 738 356	1 848 490	2 201 182	2 470 977
Loan to value before bonds	55.4%	58.1%	47.2%	29.9%
Bonds	235 169	468 616	440 512	472 812
Accrued interests on bonds	-	16 860	7 757	8 662
Loan to value	68.9%	84.4%	67.6%	49.3%

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2.4.2. Debt Maturity

Indebtedness as at 31 December 2007, 31 December 2008 31 December 2009 and 30 September 2010:

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

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At 31 December 2008	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	45 488	241 232	142 717	429 437
Convertible bonds	-	-	135 044	-	135 044
Exchangeable bonds	-	-	19 395	-	19 395
Fixed rate bonds	-	45 488	86 793	142 717	274 998
Financial debts	-	175 918	408 443	242 122	826 483
Bank loans	-	175 918	406 533	210 967	793 418
Fixed rate	-	10 073	23 969	19 887	53 929
Floating rate	-	165 845	382 564	191 080	739 489
Other non-current borrowings	-	-	1 910	30 029	31 939
Finance lease liabilities	-	-	-	1 126	1 126
Total	-	221 406	649 675	384 839	1 255 920
Current					
Bonds	11 075	-	-	-	11 075
Floating rate bonds	11 075	-	-	-	11 075
Bonds	-	-	-	-	-
Financial debts	298 761	-	-	-	298 761
Bank loans	293 162	-	-	-	293 162
Bank loans fixe	13 658	-	-	-	13 658
Bank loans floe	279 504	-	-	-	279 504
Other borrowings	5 599	-	-	-	5 599
Total	309 836	-	-	-	309 836
TOTAL	309 836	221 406	649 675	384 839	1 565 756

At 31 December 2009	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	-	258 720	150 677	409 397
Convertible bonds	-	-	150 375	-	150 375
Exchangeable bonds	-	-	17 971	-	17 971
Fixed rate bonds	-	-	90 374	150 677	241 051
Financial debts	-	18 492	392 094	74 048	484 634
Bank loans	-	18 492	392 094	58 816	469 402
Fixed rate	-	2 599	17 932	9 768	30 299
Floating rate	-	15 893	374 162	49 048	439 103
Other non-current borrowings	-	-	-	14 110	14 110
Finance lease liabilities	-	-	-	1 122	1 122
Total	-	18 492	650 814	224 725	894 031
Current					
Bonds	59 219	-	-	-	59 219
Floating rate bonds	11 298	-	-	-	11 298
Fixed rate bonds	47 921	-	-	-	47 921
Financial debts	595 776	-	-	-	595 776
Bank loans	593 475	-	-	-	593 475
Bank loans fixe	99 798	-	-	-	99 798
Bank loans floe	493 677	-	-	-	493 677
Other borrowings	2 301	-	-	-	2 301
Liabilities held for sale	51 451	-	-	-	51 451
Bank loans floe	51 451	-	-	-	51 451
Total	706 446	-	-	-	706 446
TOTAL	706 446	18 492	650 814	224 725	1 600 477

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At 30 September 2010	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	21 305	175 018	30 615	226 938
Convertible bonds	-	7 373	36 298	8 689	52 360
Non Convertible	-	13 932	138 720	21 926	174 578
Financial debts	-	315 290	137 840	77 796	530 926
Bank loans	-	315 290	137 840	56 283	509 413
Bank loans fixed rate	-	2 860	18 720	11 763	33 343
Bank loans floating rate	-	312 430	119 120	44 520	476 070
Other non-current borrowings	-	-	-	21 441	21 441
Finance lease liabilities	-	-	-	72	72
Total	-	336 595	312 858	108 411	757 864
Current					
Bonds	8 231	-	-	-	8 231
Convertible bonds	2 834	-	-	-	2 834
Non Convertible	5 397	-	-	-	5 397
Financial debts	466 692	-	-	-	466 692
Bank loans	463 181	-	-	-	463 181
Bank loans fixed rate	124 424	-	-	-	124 424
Bank loans floating rate	338 757	-	-	-	338 757
Other borrowings	3 511	-	-	-	3 511
Liabilities linked to assets held for sale	24 244	-	-	-	24 244
Bank loans floating rate	24 244	-	-	-	24 244
Total	499 167	-	-	-	499 167
TOTAL	499 167	336 595	312 858	108 411	1 257 031

Most of the administrative covenants are managed by local financial managers. Reported breaches are managed at Group level. Financial covenants are directly managed at Group level. End of 2009, some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities. Most covenants relate to administrative documents to be provided (audited accounts, management reports) and financial ratios to be respected on the asset level (loan to value, loan to construction and interest coverage ratio).

In some circumstances, when cross default covenants are included in bank loan agreements, breaches occurring at the level of subsidiaries could have the consequence that other bank loans granted to other entities of the Group become repayable on demand. Such cross defaults can occur also in the opposite way, meaning that breaches occurring at the level of the Company could have the consequence that bank loans granted to subsidiaries become repayable on demand.

The non respect of the Loan to Value (LTV) covenants may have as consequence that the lending bank requires partial repayment of the loan in order to solve the LTV covenant breach. The Group mainly negotiates interest margin increase instead of partial repayment.

.Ongoing development projects investment engagements as described in point 3.7 are covered either by own capital resources or by confirmed credit lines amounting to EUR 21.7 Million as at September 2010

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2.4.4. Consolidated cash flow

	30 June 2010	31 December 2009
Operating result	37 770	-254 217
Net (profit) /loss from fair value adjustments on investment property	-26 629	177 598
Amortisation, impairments & provisions	8 311	89 354
Net loss on disposal of assets	273	631
Adjusted operating profit/(loss)	19 725	16 866
Financial result	-1 596	-433
Income tax paid	-368	-3 711
Financial result and income taxes paid	-1 964	-4 144
Changes in operating assets and liabilities	59 412	-23 656
NET CASH FROM /USED IN OPERATING ACTIVITIES	77 173	-10 934
Capital expenditures and tangible assets acquisitions	-8 930	-36 258
Proceeds from sales of non current tangible assets	31 329	66 574
Purchase of intangible assets	-37	-390
Purchase of financial assets	-691	-1 159
Net interest paid	-28 437	-77 900
NET CASH USED IN INVESTING ACTIVITIES	-6 766	-49 133
Net issue of equity instruments to shareholders	16 129	945
Proceeds from borrowings	14 350	97 032
Repayments of borrowings	-94 712	-65 249
NET CASH USED IN/ FROM FINANCING ACTIVITIES	-64 233	32 728
NET INCREASE IN CASH	6 174	-27 339
Cash and cash equivalents at the beginning of the period	57 040	83 799
Exchange difference on cash and cash equivalents	530	580
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	63 744	57 040

As at June 2010, cash and cash equivalents have increased by EUR 6.7 Million over the first half of 2010, to reach EUR 63.7 Million. Net cash from operating activities are largely positive over the first half of 2010 as a result of the combined effect of the restructuring measures in order to reduce operating and the absence of new developments in inventories while the Group is selling its finished products. The capital increases realized in April 2010 have also improved the cash availabilities of the Group. These additions to the cash position have been partially compensated by the payment of interests on bank loans and the bond issued by Orco Germany S.A. and also by the repayment of bank loans on the sale of rental assets and residential units.

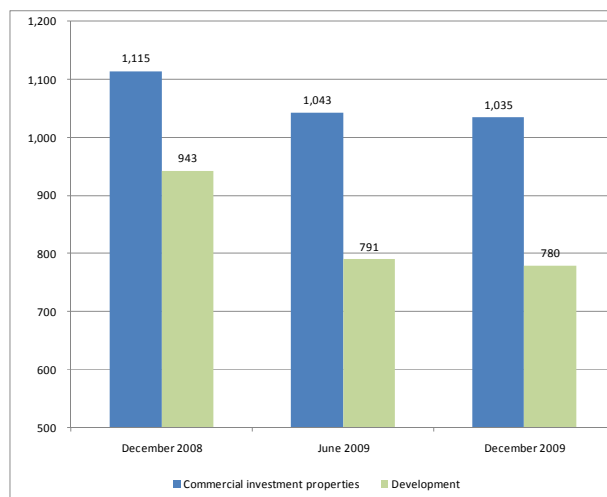
Chapter 3 : Business Overview

3.1. Business overview as of the latest audited consolidated financial statement as at December 2009

3.1.1. Principal activities

The Group is a real estate investor and developer established in Central and Eastern Europe since 1991, currently owning and managing assets of approximately EUR 1.8 Billion. The Group has a strong local presence in its main markets, namely Prague, Berlin, Warsaw and Budapest, as well as offices in Bratislava, Moscow and Hvar (Croatia). Throughout its 19 years of existence, the Group invested close to EUR 2.5 Billion, delivered 178 development projects, sold over 5,000 flats, built & purchased over 128 properties, established partnerships with 33 banks and raised EUR 1 Billion on the capital markets.

Portfolio valuation as at December 2009



Commercial Investment Properties

The Group's main business is holding and managing commercial investment properties and its vocation is:

- to purchase property assets with economic potential that the Group can then restructure with the help of its local project and asset management teams; and
- to retain in its investment portfolio the office or commercial property assets built by its property development business line.

The Group's strategy assumes a certain rotation of its portfolio with sale of mature assets in order to reinvest the proceeds in assets to be restructured or developed.

Development

Development business line includes:

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- the development of office and commercial buildings for resale to third parties or to the Commercial Investment Properties business line; and
- the residential property development.

3.1.2. Principal markets

The Group operates in a number of different countries throughout the Central and Eastern European region including Croatia, the Czech Republic, Hungary, Poland, Russia, Germany and Slovakia.

Commercial Investment Properties

The renting activity

The Group's rental portfolio encompasses prime assets with prime tenants in major Central and Eastern European cities focusing on commercial buildings.

The main components of the Company's rental portfolio are :

- commercial assets located in Berlin, Germany (GSG);
- a mix of office and industrial assets in the Czech Republic; and
- a logistics business in Moscow, Russia (Molcom).

As of December 2009, the investment property portfolio comprised a total lettable area of 1.24 Million sqm, with an average occupancy rate of 76.7%.

According to DTZ (independent appraiser appointed by the Board of Directors of the Company) valuations, the reversionary potential of the portfolio stands at 12%, which reflects the fact that it still has not reached the equilibrium.

The following table sets forth the Group's rental portfolio by sector and by country as of 31 December 2009:

Country	Market	Leasable area (sqm)	Occupancy rate (%)	Average Rent (EUR)
Czech Republic	Office	85 698	76,26%	12,61
	Retail	3 392	34,51%	18,42
	Residential	2 650	37,80%	10,84
	Logistic	87 720	91,68%	2,66
Hungary	Office	15 862	89,14%	13,33
	Retail	7 573	28,50%	20,15
Germany (excl GSG)	Office	47 980	77,24%	9,74
	Retail	5 501	100,00%	11,15
	Residential	4 729	65,46%	3,51
Germany (GSG)	Commercial industry	803 187	75,83%	5,57
	Residential	15 368	94,14%	4,12
Slovakia	Retail	8 241	10,57%	26,88
Poland	Office	1 400	100,00%	18,15
	Logistic	39 360	79,41%	3,13
Luxembourg	Office	7 023	91,15%	25,23
Russia	Molcom	110 535	74,20%	20,30
TOTAL		1 246 218	76,66%	

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The Group's portfolio attracts prime tenants, such as: KPMG, Monster, Radio Free Europe, McKinsey, T-Mobile, Vodafone, Telefonica, Honeywell, Lovells, Komerční Banka, Raiffeisen Bank, Ceska Sportelna, CEZ, Roland Berger, Cobra, CGM and Estee Lauder.

The top three rental income contributors in 2009 were: GSG in Berlin, Molcom in Russia and Radio Free Europe in Prague.

GSG is a portfolio of 45 buildings (most of them are rented shell and core to local SME) located in various areas in Berlin, Germany. It has a total area of 818 thousand sqm and its occupancy rate reached 76.2% as of December 2009 (up by 6 points since acquisition in June 2007). The portfolio is financed by a EUR 302 Million bank loan, maturing in 2012. The portfolio was valued at first consolidation for EUR 404 Million and its December 2009 value reached EUR 445 Million. In 2009, the GSG assets were devalued for a total amount of EUR - 26.4 Million, among which Plaunaerstraße (EUR -7.3 Million), Wolfenerstraße (EUR -5.5 Million), Pankow (EUR -4.8 Million) and Schwedenstraße (EUR -3.1 Million), all located in Berlin.

Molcom is a logistic asset located to the north-east of the Moscow region, within 14 km from the MKAD ring via Yaroslavskoye, close to Pushkino town. The Property comprises warehouses, industrial and office premises with a total area of over 92,000 sqm and an occupancy rate of 89% at the end of 2009. In addition, a new warehouse of 18,500 sqm was completed in 2009. Several negotiations are in progress with potential clients which could lead to new lease contracts in Q2 2010. The project is financed through a USD 16 Million loan maturing in 2015. The new warehouse fair value as of December 2009 was EUR 7.6 Million whereas the existing one is valued at EUR 45.4 Million, due to decreased revenues (EUR 18.8 Million compared to EUR 21.3 Million in December 2008), and currency effects. Note that revenues not only include rental income but also logistic services provided to tenants.

Radio Free Europe is located approximately 3 km east of the Prague city centre, in Prague 10. There is satisfactory access to the site via Vinohradská, one of the city's main roads connecting directly to the city centre and the Magistrála Highway. Access by public transport is good, with a tram stop directly opposite and a metro stop in close proximity. The premises comprise an office unit of 15,276 sqm (net lettable area) with underground parking. The building is 100% leased by Radio Free Europe (a US government agency) and therefore the specification of the building is very high with particular emphasis on security. The building has a substantial boundary and is fully secured with perimeter fencing and security gates for both vehicular and personnel access. Its fair value as of December 2009 was EUR 50.0 Million compared to EUR 55.7 Million in December 2008. Its revenue contribution in 2009 was EUR 3.9 Million. The asset is financed through a EUR 37.1 Million bank loan, maturing in 2023.

In line with its strategy, the Group continued in 2009 the disposal of its residential portfolio in Prague and Berlin. The sales process is conducted either unit by unit or as a portfolio deal. As of December 2009, there were only 21 units remaining to be sold in the Vinohrady portfolio in Prague 2. Since the beginning of the disposal program in 2008, 111 units (10.5 thousand sqm) have been sold, for a total of CZK 955.8 Million sales price.

In 2009, the Group completed several rental asset disposals (including the Vinohrady portfolio) for a total sales price of EUR 60.8 Million generating a loss EUR -1.9 Million. The largest transactions on the investment property portfolio completed in 2009 are summarized below:

- Brno Centrum (shopping center in downtown Brno) for EUR 4.8 Million;
- Immanuelkirchstr. 3-4 (a mixed use building in Berlin) for EUR 10.0 Million;

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- Reinhardtstraße 18 (a mixed use building in Berlin) for EUR 8.4 Million.

Among the commercial and investment properties that suffered the biggest relative devaluations were: **Bubenska** EUR -7.4 Million (-23%) due to the departure of its main tenant, **Main Budapest Bank** EUR -10.1 Million (-43%) for the same reason, **Plauener Strasse** EUR -7.3 Million (-26%) and **Stribro Industrial Park** EUR -3.1 Million (-45%).

The biggest increase in relative valuations was **Hlubocky Olomouc** with a 23% increase of EUR 3.5 Million resulting from the signature of a 10 year lease contract with Honeywell for the whole property.

Hospitality

As of December 2009, the hospitality portfolio comprised a total number of 1,734 rooms with an average occupancy rate of 53.1% and an average daily rate of EUR 99.88. Fair values were estimated to decrease by 27%.

CEE hotels

In its joint venture with AIG, the Company owns a portfolio of boutique hotels and extended stay residences across the Central and Eastern European capital cities which are managed and operated by a subsidiary of the Company under the MaMaison brand and also by Starlight and by Marriott Courtyard. As of 31 December 2009, this 50-50 joint venture (where the Company actually indirectly owns 44% given its association with a small institutional partner) owned 12 hotels and extended stay residences together valued at EUR 126.6 Million (compared to 152.8 in 2008). The difference in the portfolio value is in line with current hospitality market trends. The portfolio is integrated in the consolidated balance sheet at 50%.

In addition, the Company has a 100% ownership of the Pachtuv Palace, a small boutique hotel with 50 apartments, located in central Prague. This asset was valued at EUR 14.68 Million as of 31 December 2009 (compared to EUR 14.3 Million in 2008).

The properties are overall of a very good quality with no need for capital expenditure investments. The decrease in values is a consequence of the global decrease in travel which had a direct impact on revenues and EBITDA.

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						change in market value vs 2008 EUR Million
CEE hotels	Number of assets	Number of rooms	Occupancy %	2009 revenues EUR Million	market value 09 EUR Million	
Czech Republic	5	484	54.2	11.6	62 .5	-7.1
Poland	3	220	48.1	5.2	24 .0	-3 .8
Slovakia	1	32	59.3	0.7	0.9	-2.6
Russia	1	84	68.6	6.0	37.0	-7.0
Hungary	3	161	58.9	2.5	16.2	-5.4
Total CEE hotels	13	981	54.8	26.0	140.6	-25.7
*Starlight is excluded for Occupancy and Revenue as it is a lease contract						

The table above shows occupancy and revenues for each property. In 2009, the portfolio generated total revenues of EUR 26.0 Million, Russia being the largest contributor with 22.7% of total revenues. Although 2009 has been a challenging year for the overall hospitality market there is a positive prospect for the CEE countries according to Jones Lang Lasalle Hotels Research.

The value of this portfolio has decreased from 2008 to 2009 by EUR 25.7 Million which is equivalent to a decrease of 15.4%. This number includes all hotels in the joint venture and the Pachtuv Palace in Prague. This difference is mainly due to the volatility of the market and the conservative forecast numbers. As is the case with all types of assets, our CEE hospitality portfolio has suffered from softer yields which has a direct impact on values. This, coupled with the impact of the overall economic slowdown, particularly with companies cutting costs for business travel, has a negative impact on our CEE hospitality portfolio.

Suncani Hvar Hotels

The Company also owns a 55 % interest in Suncani Hvar, a company listed on the Zagreb Stock Exchange and fully consolidated. Suncani Hvar owns 11 hotels on the island of Hvar off the coast of Split, Croatia, that together have over 1,000 rooms and represent approximately 90% of the total hotel capacity of the Hvar island. These hotels are also managed and operated by the Group. The overall portfolio value of Suncani Hvar (which also includes other land plots and other assets) amounted to EUR 122.0 Million as of December 2009 compared to EUR 194.3 Million in 2008). This decrease is directly due to the volatility of the market, yields that have softened and projected incomes that have depreciated.

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Suncani Hvar hotels	Number of assets	Number of rooms	Occupancy %	2009 revenues EUR Million	Market value 2009 EUR Million	Change in market value vs 2008 EUR Million
Four star category	3	437	48.78	10.4	82.4	-48.7
Two - three star category	4	316	52.44	2.0	16.0	-11.8
Total Suncani Hvar hotels	7	753	50.32	12.4	98.4	-60.6
*Sirena, Bodul, Galeb were not operated in 2009 and as such are not include in the numbers above.						

No major capital expenditure was undertaken in the hotels in 2009 as they are either fully refurbished or in need of complete refurbishment. Some of the hotels were closed or used as staff accommodation.

The fully refurbished assets, which are operated in the high end segment, include the Amfora resort (with its neighbouring Bonj les Bains centre), Adriana (listed by the “Small Leading Hotels”) and Riva (listed by the “Small Luxury Hotels”), represent 85.3% of total revenues and 83.7% of the market value of the operated hotels. The occupancy rate of the hotels is calculated on the basis of days open. Given that the business is seasonal, most of the hotels are open from mid- May to September or for private events.

The other hotels are the Dalmacija and the Palace hotel, which was partly renovated in 2007, operating as 3 star hotels, and the Pharos, the Dalmacija 2 and the Delfin, operating as 2 star hotels. These hotels attract tour operators, families and young people. Together, they represent 316 bedrooms with an occupancy of 52.4% and revenues of almost EUR 2.0 Million. The Sirena, Bodul and Galeb hotels did not open for business in 2009.

Development

The Company’s development portfolio consists of land bank and real estate properties designated as future development, residential and commercial developments designated to be sold or transferred to its Commercial Investment Properties business line.

As of December 2009, the Company’s Development business line represented EUR 780 Million in value (61% of commercial developments, 18% of residential developments, 12% of residential land bank and 9% of finished goods to be sold).

The total valuation of the Development business line, corrected from sales and cash investments, sharply decreased by EUR 142 Million in the first half of 2009, reflecting the risk aversion of the markets and the capacity of the Company to complete those developments, before it increased by EUR 5 Million in the second half, reflecting a recovery of values for restarted projects.

Commercial developments

The Company's commercial development portfolio consists of properties that the Company has developed or is developing across the CEE region to keep and manage or sell. The properties in this portfolio are office, retail or mixed-use buildings. The Company also has a small number of logistics projects in its commercial portfolio.

Throughout 2009, the Company completed construction works on ten out of thirteen commercial projects:

Projects delivered in 2009	Location	asset type	leasable area sqm	construction completion	Market Value EUR Million	GAV Variation	GAV Variation	Capex H1 2009	Capex H2 2009	Total Capex 2009
						Dec 09-June 09	Dec 08-Dec 09			
Sky Office	Düsseldorf	office	33 000	Q3 2009	135,0	22,0	32,0	37,0	10,0	47,0
H2O	Duisburg	office	13 000	Q4 2009	29,0	11,0	17,0	12,0	9,0	21,0
Bernauer strasse	Oranienburg	healthcare	7500,0	Q3 2009	10,5	2,0	7,2	5,1	0,8	5,9
Rostock	Rostock	healthcare	6075,0	Q3 2009	8,8	2,5	5,7	3,2	1,0	4,2
Gutersloth	Gutersloth	healthcare	7 200	Q3 2009	11,9	3,3	8,3	0,0	5,7	5,7
Hradcanska	Prague	office/retail	10 600	Q1 2009	12,5	-0,6	-1,9	0,0	0,3	0,3
Palac Archa	Prague	office/retail	24 000	Q1 2009	47,6	2,1	2,1	4,3	0,5	4,8
Vysocany Gate	Prague	office	16 800	Q2 2009	21,1	-2,0	4,3	0,0	6,8	6,8
Paris Dept. Store	Budapest	retail/office	6375,0	Q4 2009	15,0	1,1	-6,8	0,0	2,9	2,9
Radischevskaya	Moscow	office	1 700	Q3 2009	10,5	2,5	-1,3	0,0	0,5	0,5
Peugeot	Warsaw	Retail	4030,0	Q1 2010	3,7	-0,7	-1,1	0,0	0,0	0,0
New Molcom	Moscow	Logistic warehouse	18500,0	Q4 2009	7,5	2,6	-0,1	4,3	7,9	12,2
TOTAL					313	46	73	66	45	111

Project delivered in 2011	Location	asset type	leasable area sqm	construction completion	Market Value EUR Million	GAV Variation	GAV Variation	Capex H1 2009	Capex H2 2009	Total Capex 2009
						Dec 09-June 09	Dec 08-Dec 09			
Vaci I	Budapest	Retail	11 000	Q1 2011	40,1	0,2	-4,1	2,7	1,5	4,2

These new assets attracted prime tenants, such as Lovells, McKinsey, CSOB, Robert Half, Roland Berger, Bohemia Energy and Alexandra Bookstore. The occupancy of these assets ranges from 21% for H2O office to 65% for Sky Office, while the finalized healthcare assets are fully leased.

The consolidated market value of the 12 commercial developments delivered in 2009 reached EUR 313 Million as of year end. As of December 2008, their value was EUR 240 Million. Over the first half of 2009, EUR 66 Million of capital expenditures were invested. During the second half of 2009, EUR 45 Million of capital expenditures were invested. Their value is expected to increase in 2010, based on progress made on occupancy and following the positive market trends expected in 2010.

Residential development

The Company is a major developer of residential projects in Central Europe. The Company's residential developments, consisting of apartments and houses, are aimed at the middle and upper middle segment of the residential housing market. Given the market conditions in 2009, the Company scaled back on residential development of luxury apartments, thus selling Fehrbelliner Hofe in Berlin and City Gate in Slovakia with a loss of EUR 11.3 Million.

The Company divides all of its large residential development projects into development phases, and seeks to pre-sell a certain portion of apartments before starting construction works for the relevant phase. The Company usually starts construction when an average of 30% pre-sale has been achieved.

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The residential development portfolio includes projects where construction works have been ongoing in 2009. As of December 2009, the Company's residential development portfolio represented EUR 177.5 Million in market value (excluding land bank).

During 2009, construction works were finalized on 6 residential projects, representing a total of 408 units:

Projects completed in 2009	location	Construction completion	total units	PC booked in 2009	units remaining in inventory	market value (EUR Million)
Plachta 3	Hradec Kralove	Q4 2009	89	63	26	2.9
Michle	Prague	Q1 2009	49	34	15	2.4
Kosik 3 A (50%)	Prague	Q3 2009	117	48	68	10.7
Nove Dvory	Prague	Q2 2009	100	62	38	5.4
Benice 1	Prague	Q1 2009	46	4	42	12.4
Feliz Residence/ Drawska	Warsaw	Q3 2009	40	6	34	8.8
Mokotowska	Warsaw	Q2 2009	14	7	7	5.2

The Group registered a 34% decrease in the number of units delivered and recognized in revenues in 2009, to 437 units (344 in Czech Republic, 81 in Poland and 12 in Slovakia) compared to 764 in 2008 (excluding Germany). The backlog on projects either finalized or under construction is 484 units in the Czech Republic out of which 95 are covered by a future purchase contract, 587 units in Poland out of which 223 are covered by a future purchase contract, and 68 units in Slovakia out of which 5 are covered by a future purchase contract. In Germany, there are only a few units left to sell on the residential developments.

As of December 2009, construction works were in progress on the following residential developments: Americka 11 and Klonowa Aleja.

Americka 11 is in the Vinohrady district of Prague. The construction commenced in October 2009 and was finished in April 2010. The reconstruction consisted of 13 apartments. As of December 2009, no units had been sold. The project is financed through the Group's equity.

Klonowa Aleja (Malborska) is located in the Targówek district of Warsaw. The site is developed with a residential plan that was completed in late 2009 and early 2010. The development comprises 284 apartments as well as retail accommodation and underground car parking facilities (402 parking spaces). The total sellable area amounts to 17,817 sqm. As of December 2009, 110 units were pre-sold. The project was financed by a EUR 4 Million loan maturing in 2010. The project has held its occupancy permit since October 2009 but flats have started to be transferred to clients only in 2010.

Construction works on **Zlota 44** residential tower in Warsaw were suspended in the summer of 2009, due to the invalidation of both the zoning and building permits by the lower courts. The Group has appealed these decisions. The zoning permit was reinstated in a final and binding decision on 15 March 2010. The Group is confident that by the end of June 2010 it will achieve the same positive result for the building permit. Since the construction halt, the Group has cooperated with the

financing bank and at the same time negotiated a potential joint venture agreement in order to be able to restart the construction immediately after the reinstatement of the building permit. The equity to be invested by the Company will depend on the additional contribution of the bank. A relevant term sheet has been signed with a mezzanine partner and will become enforceable subject to bank approval. The Company is committed to restarting Zlota in 2010. Sales will reopen after the relaunch of construction works. The property is in the heart of the Warsaw city centre, immediately adjacent to the Warsaw Palace of Culture. This is a luxury, high-rise residential building with 251 apartments and retail at the ground floor level.

Other projects from the Group's residential pipeline are in the planning and/or zoning stages. Several projects that were originally planned to break ground in 2009 (such as Mostecka, Drawska 2, Szczecin, Krakow and Jozefoslaw) were put on hold because of unfavorable market conditions. However, three projects are ready for immediate ground-breaking should the market conditions improve: Mostecka (55 units), V Mezihori (142) and Vavrenova (90 units), all of which are located in Prague.

Acquisitions and disposals for 2009

In 2009, no major acquisitions took place. However, the Group completed asset disposals totaling EUR 66.6 Million (including EUR 1.3 Million of Property Management), generating a loss of EUR 1.8 Million (excluding the profit on the sales of property management companies amounting to EUR 1.2 Million). Given the Safeguard Procedure, the Group was not forced to sell assets at distressed prices.

Excluding the related debt, these asset disposals freed a total cash amount of EUR 31.2 Million. The disposals completed in 2009 are part of the Company's portfolio rotation program and are fully aligned with its new strategy which focuses on core markets. All the assets sold were identified by the Management as non-strategic.

These disposals included commercial assets, such as Immanuelkirchstr. 3-4, Berlin, residential assets, such as the Vinohrady portfolio, and projects under development, such as Fehrbelliner Hofe in Berlin and City Gate in Bratislava.

Iconic projects

The major iconic project and largest land bank site of the Group is Bubny and has also suffered a significant devaluation of EUR 13 Million (-14.7%). Its value as of December 2009 reached EUR 75 Million compared to EUR 88 Million in December 2008, and has remained at EUR 75 Million since June 2009.

The 25 ha Bubny site is the largest undeveloped site located on the outskirts of the Prague historic city center. It was acquired in 2006 for EUR 43 Million, and the Company has invested EUR 27 Million since then in additional costs such as planning costs, financing, and complementary plot acquisitions. The Group aims to get a Master Plan for 1 Million sqm gross external GEFA by the first half of 2011 with high quality office spaces, residential apartments, public service buildings, space for leisure activities, playgrounds and a large shopping centre. This project represents a potential of EUR 400 to 600 Million in value creation over 15 years.

The Group is implementing multiple development strategies with the Company acting as:

- land developer: zoned / permitted commercial parcels sold to developers for an average annual turnover over a fourteen year period, beginning in 2012, amounting to EUR 8.5 Million;

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- office developer: up to 80,000 sqm of office space every six years with construction starting after 50% pre-lease of the total space with sales representing EUR 25 Million potential annual turnover starting in 2012;
- residential developer: 200 units per year representing EUR 30 Million of potential annual turnover starting in 2012; and
- retail developer: up to 100,000 sqm in two phases in a joint venture with a major operator representing EUR 25 Million of potential annual turnover starting in 2012.

At the end of 2009, a letter of intent for the partial sale of 8.2% of the land was signed. The sale will result in total revenues of EUR 17.4 Million within the next three years.

As of the end of December 2009, the main commercial project where the Group progressed in construction was Vaci 1.

Vaci 1 (former Budapest Stock Exchange) is located at the corner of the busiest shopping street of Budapest. The works began in the spring of 2008. After being put on hold at the beginning of April 2009, they were restarted in November and are estimated to conclude in the second quarter of 2011. After refurbishment, 11,000 sqm of net lettable retail accommodation will be available. Vaci 1 is already 33% pre-leased as of April 2010 and financed by a EUR 46 Million construction credit line maturing in 2012 with a roll over until 2017 if there are no breaches. EUR 2.7 Million were spent during the first half of 2009 and EUR 1.5 Million during the second half.

As of December 2008, the fair value of the building was set at EUR 44.1 Million, and at EUR 40.1 Million as of December 2009. Based on the expected annual rental income of EUR 6.9 Million, the fair value at completion should amount to EUR 85 Million. As the development is at an early stage, the valuation integrates a significantly high discount rate to take into account the development risks. With remaining development costs amounting to EUR 20.6 Million, a mechanical gain of EUR 24.3 Million would be recorded.

3.1.3. Organisational Structure

Operating in Central and Eastern Europe since 1991, the Group is a public company, based in Luxembourg, and listed on the Euronext in Paris and on the Prague, Warsaw and Budapest Stock Exchanges. The Group has also two listed subsidiaries, Orco Germany listed in Frankfurt in which it holds a 58% stake and Suncani Hvar, listed in Zagreb in which it holds a 55.5% stake.

During 2009, the Company implemented a full restructuring focused on its two core business lines, Commercial Investment Properties and Development. The Group closed down its offices in all Czech and German cities except Prague, Berlin and Dusseldorf and scaled back Bratislava and Budapest. Lastly, Suncani Hvar will also be the subject of a restructuring plan in 2010 affecting headcounts.

As a result, the headcount decreased across all countries, reaching 2,151 as of December 2009 compared to 2,741 in December 2008, a decrease of 22%. The most significant year on year drop was achieved in the service companies (-31%), followed by logistics (-22%) and hospitality operations (-18%).

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List of fully consolidated entities

Company	Country	Ccy	Activity	% Sharehold ing 31.12.200 9	% Sharehold ing 31.12.200 8
Sportovní 1, a.s.	Czech Republic	CZ	Developm ent	100%	100%
Ambona Kredit s.r.o. (merged in První Kvintum Praha a.s.)	Czech Republic	CZ	Developm ent	/	100%
Americká 1, a.s.	Czech Republic	CZ	Leasing	100%	100%
Americká 33, a.s.	Czech Republic	CZ	Leasing	100%	100%
AMERICKÁ - ORCO, a.s.	Czech Republic	CZ	Leasing	100%	100%
Americká Park, a.s.	Czech Republic	CZ	Leasing	100%	100%
Anglická 26, s.r.o.	Czech Republic	CZ	Leasing	100%	100%
Ariah Kft.	Hungary	HU	Leasing	100%	100%
Belgická - Na Kozačce, s.r.o.	Czech Republic	CZ	Leasing	100%	100%
Blue Yachts, d.o.o.	Croatia	HR	Hotel	38.88%	38.88%
BRNO CENTRUM, s.r.o. (merged in MÁCHOVA - ORCO, a.s.)	Czech Republic	CZ	Leasing	/	100%
Brno City Center a.s.	Czech Republic	CZ	Developm ent	100%	100%
Bubenska 1 a.s.	Czech Republic	CZ	Leasing	100%	100%
Bubny Development s.r.o.	Czech Republic	CZ	Developm ent	100%	100%
BYTY PODKOVA, a.s.	Czech Republic	CZ	Developm ent	75%	75%
Capellen Invest S.A.	Luxembourg	EU	Leasing	100%	100%
Central European Real Estate Management S.A. (in Liquidation)	Luxembourg	EU	Managem ent	100%	100%
Certuv Ostrov, a.s.	Czech Republic	CZ	Developm ent	100%	100%
City Gate s.r.o. (sold in 2009)	Slovakia	EU	Developm ent	/	100%
CWM 35 Kft.	Hungary	HU	Leasing	100%	100%
Darilia a.s.	Czech Republic	CZ	Developm ent	100%	/
Development Doubovská, s.r.o.	Czech Republic	CZ	Developm ent	100%	100%

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	Republic	K	ent		
		PL	Extended		
Diana Property Sp. z.o.o.	Poland	N	stay	100%	100%
Domain Sp. z.o.o. (previously Orco Strategy Sp. z.o.o.)	Poland	N	Developm ent	/	100%
	Luxembourg	EU	Developm ent		
Endurance Advisory Company S.A.	g	R	ent	100%	100%
	Luxembourg	EU			
Endurance Hospitality Assets S.à r.l.	g	R	Hotel	88%	88%
	Luxembourg	EU			
Endurance Hospitality Finance S.à r.l.	g	R	Hotel	88%	88%
Endurance Real Estate Management Company S.A.	Luxembourg	EU	Managem ent		
	g	R	ent	100%	100%
Energia Jeden Sp. z.o.o. (previously Orco Idea Sp. z.o.o.)	Poland	PL	Developm ent		
	Poland	N	ent	100%	100%
	Czech	CZ			
Hagibor Office Building a.s.	Republic	K	Leasing	100%	100%
	Czech	CZ	Developm ent		
IPB Real Reality, a.s.	Republic	K	ent	100%	100%
	Czech	CZ	Developm ent		
IPB Real, a.s.	Republic	K	ent	100%	100%
	Czech	CZ	Developm ent		
IPB Real, s.r.o.	Republic	K	ent	100%	100%
	Czech	CZ			
Jeremiašova Invest s.r.o.	Republic	K	Leasing	100%	100%
	Czech	CZ	Developm ent		
Jihovychodni Mesto, a.s.	Republic	K	ent	75%	75%
		US	Developm ent		
Karousa Enterprises Company Limited	Cyprus	D	ent	69%	69%
Londýnská 26, a.s.(merged in Anglická 26, s.r.o.)	Czech	CZ			
	Republic	K	Leasing	/	100%
Londýnská 39, s.r.o. (merged in Anglická 26, s.r.o.)	Czech	CZ			
	Republic	K	Leasing	/	100%
Londýnská 41, s.r.o. (merged in Anglická 26, s.r.o.)	Czech	CZ			
	Republic	K	Leasing	/	100%

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Company	Country	Ccy	Activity	% Sharehold ing 31.12.200 9	% Sharehold ing 31.12.200 8
M & Q Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
MÁCHOVA - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Mánesova 28, a.s. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Meder 36 Projekt Kft.	Hungary	HUF	Leasing	100%	100%
Megaleiar a.s.	Czech Republic	CZK	Developm ent	100%	100%
Mikhailovka o.o.o.	Russia	RU B	Developm ent	100%	100%
Mikhailovka Land o.o.o.	Russia	RU B	Developm ent	100%	100%
MMR Management, s.r.o.	Czech Republic	CZK RU	Holding	90%	90%
MOLCOM CJSC	Russia	B RU	Leasing Developm ent	69%	69%
MS-Invest o.o.o.	Russia	B	Developm ent	69%	69%
Na Poříčí a.s.	Czech Republic	CZK	Leasing	100%	100%
Nad Petruskou, s.r.o.	Czech Republic	CZK	Leasing Developm ent	100%	100%
NOVÉ MEDLÁNKY a.s.	Czech Republic	CZK	Developm ent	100%	100%
Nupaky a.s.	Czech Republic	CZK	Developm ent	100%	100%
N W D C Company spol. s.r.o. (sold in 2009)	Czech Republic	CZK	Developm ent	/	51%
Oak Mill, a.s.	Czech Republic	CZK	Developm ent	100%	100%
Obonjan Rivijera d.d.	Croatia	HR K	Developm ent	50%	50%
Office II Invest S.A.	Luxembour g Czech Republic	EUR	Holding Developm ent	50.32%	50.32%
Onset, a.s.	Czech Republic	CZK HR	Developm ent	100%	100%
Orco Adriatic d.o.o.	Croatia	K	Developm ent	100%	100%
Orco Blumentalska a.s. (previously ORCO Project, s.r.o.)	Slovakia	EUR	Developm ent	100%	100%
Orco Budapest Zrt.	Hungary	HUF	Leasing	100%	100%
Orco Commercial Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%

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Orco Construction Sp. z.o.o.	Poland	PLN	Developm ent	75%	75%
Orco Development Kft.	Hungary	HUF	Developm ent	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Developm ent	75%	75%
ORCO Development, s.r.o.	Slovakia	EUR	Developm ent	100%	100%
ORCO Enterprise Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
ORCO Estate Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Developm ent	100%	100%
ORCO Estates, s.r.o.	Slovakia Czech	EUR	Developm ent	100%	100%
Orco Financial Services s.r.o.	Republic	CZK	Holding	100%	100%
Orco Hungary Kft.	Hungary	HUF	Leasing	100%	100%
Orco Investment Kft. (sold in 2009)	Hungary	HUF	Leasing	/	100%
ORCO INVESTMENT, a.s.	Czech Republic	CZK	Developm ent	100%	100%
Orco Logistic Sp. z o.o.	Poland	PLN	Developm ent	100%	100%
Orco Poland Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
ORCO Praga s.r.o.	Czech Republic	CZK	Developm ent	75%	75%
ORCO Prague, a.s.	Czech Republic	CZK	Developm ent	100%	100%
Orco Project Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
ORCO Property Management, a.s. (sold in 2009)	Czech Republic	CZK	Leasing	/	100%

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Company	Country	Ccy	Activity	% Sharehold ing 31.12.200 9	% Sharehold ing 31.12.200 8
Orco Property Sp. z.o.o.	Poland	PLN	Developm ent	75%	75%
Orco Razvoj d.d.	Croatia	K	Developm ent	100%	100%
ORCO Residence, s.r.o.	Slovakia	EUR	Developm ent	100%	100%
Orco Residential Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
Orco Russian Retail S.A. (previously Orco Capitol S.A.)	Luxembour g	EUR	Leasing Developm ent	100%	100%
ORCO Slovakia, s.r.o.	Slovakia	EUR	Developm ent	100%	100%
Orco Vagyonkezelő Kft.	Hungary	HUF	Developm ent	100%	100%
ORCO Vinohrady, a.s. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing Developm ent	/	100%
Orco Vision Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
Orco-Molcom B.V.	Netherlands	EUR	Developm ent	69%	69%
Orco Molcom o.o.o.	Russia	RU	Developm ent	69%	69%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Palito, a.s. (merged in Bubny Development s.r.o.)	Czech Republic	CZK	Developm ent	/	100%
Private Security Enterprise "MOLCOM" CJSC	Russia	RU	Leasing Developm ent	69%	69%
První Kvintum Praha a.s.	Czech Republic	CZK	Developm ent	100%	100%
RESIDENCE MASARYK, a.s.	Czech Republic	CZK	Leasing Developm ent	100%	100%
Seattle, s.r.o.	Czech Republic	CZK	Developm ent	100%	100%
Stein, s.r.o.	Slovakia	EUR	Developm ent	100%	100%
SUNČANI HVAR d.d.	Croatia	K	Hotel Developm ent	55.55%	55.55%
Theonia Entreprises Company Ltd	Cyprus	USD	Developm ent	100%	100%
TO Green Europe, a.s.	Czech Republic	CZK	Developm ent	100%	100%

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Czech

TQE Asset, a.s.	Republic	CZK	Leasing	100%	100%
VINOHRADY S.à r.l.	France	EUR	Holding	100%	100%
	Czech		Developm		
Viterra Development Ceska, s.r.o.	Republic	CZK	ent	100%	100%
			Developm		
Viterra Development Polska Sp. z.o.o.	Poland	PLN	ent	100%	100%
Yuli Kft.	Hungary	HUF	Leasing	100%	100%
	Czech				
Záhřebská 35, s.r.o.	Republic	CZK	Leasing	100%	100%

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Orco Germany S.A.

Luxembourg	EUR	Leasing	58.10%	56.79%

Hereafter follows the list of Orco Germany S.A.'s direct and indirect subsidiaries, showing the percentage of shareholding of Orco Germany S.A in them:

An den Gärten GmbH	Germany	EUR	Development	100%	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.8%	94.8%
Cybernetyki Business Park Sp. z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	100%
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Development	100%	100%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	100%
GSG 1. Beteiligungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	99.75%	99.75%
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	99.75%
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	94.99%
Lora Grundbesitz GmbH	Germany	EUR	Leasing	100%	100%
Orco Berlin Invest GmbH	Germany	EUR	Development	100%	100%
Orco Erste VV GmbH	Germany	EUR	Development	100%	/
Orco Germany Investment S.A. Orco-GSG	Luxembourg	EUR	Holding	100%	100%
Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Leasing	99.75%	/
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100%	100%
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH	Germany	EUR	Development	100%	100%
Orco Projekt 103 GmbH	Germany	EUR	Leasing	100%	100%
ORCO Projektentwicklung GmbH (previously Viterra Development GmbH)	Germany	EUR	Development	100%	100%
Orco Vermietungs- und Services GmbH	Germany	EUR	Development	100%	100%
Viterra PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH	Germany	EUR	Development	94.8%	94.8%
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%
Stauffenbergstr. Drei GmbH	Germany	EUR	Development	100%	100%
Tucholskystr.39/41 GmbH & Co.	Germany	EUR	Leasing	100%	100%

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Grundbesitz KG					
Viterra Baupartner GmbH	Germany	EUR	Development	100%	100%
Viterra Erste PEG mbH	Germany	EUR	Development	100%	100%
Viterra Zweite PEG mbH	Germany	EUR	Development	100%	100%
Viterra Fünfte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100%	100%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100%	100%
Westendstr. 28 Ffm GmbH	Germany	EUR	Development	94%	94%
TSM Berlin GmbH	Germany	EUR	Leasing	100%	/

List of proportionnal consolidated entities

Kosic

Kosic S.à.r.l. (Luxembourg entity DV) ; 50% in 2008 and 2009
 Kosik Development, s.r.o. (Czech entity DV) ; 50% in 2008 and 2009
 SV Faze II, s.r.o (Czech entity DV) ; 50% in 2008 and 2009
 Slunecny vrsek III (Czech entity DV) ; 50% in 2008 and 2009

Joint Venture with AIG

Entity	Country	segment	% shareholding 2008	% shareholding 2008
Orco Property Start, a.s	Czech Republic	Hospitality	44%	44%
Dienzehoferovy Properties, s.r.o.	Czech Republic	Hospitality	44%	44%
Tyrsova 6, a.s.	Czech Republic	Hospitality	44%	44%
Orco Hotel Ostrava, a.s.	Czech Republic	Hospitality	44%	44%
Orco Hotel Riverside, s.r.o.	Czech Republic	Hospitality	44%	44%
Janackovo nabreží 15, s.r.o.	Czech Republic	Hospitality	44%	44%
Residence Belgicka, s.r.o.	Czech Republic	Hospitality	44%	44%
Paneli Estates, s.r.o.	Czech Republic	Hospitality	44%	44%
Valanto Consulting, a.s.	Czech Republic	Hospitality	44%	44%
Ozrics Kft.	Hungary	Hospitality	44%	44%
Residence Izabella Zrt.	Hungary	Hospitality	44%	44%
Orco Hotel Management Kft.	Hungary	Hospitality	44%	44%
Orco Hotel Zrt.	Hungary	Hospitality	44%	44%
MMR Russia S.A.	Luxembourg	Hospitality	44%	44%
Hospitality Invest Sàrl	Luxembourg	Hospitality	44%	44%
Orco Investment Sp.z o.o.	Poland	Hospitality	44%	44%
Orco Hospitality Services Sp.z o.o.	Poland	Hospitality	44%	44%
Orco Warsaw Sp.z o.o.	Poland	Hospitality	44%	44%
Orco Hotel Project Sp.z o.o.	Poland	Hospitality	44%	44%
Orco Hotel	Poland	Hospitality	44%	44%

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Development Sp. z o.o.				
Diana Development Sp.z.o.o.	Poland	Hospitality	44%	44%
Orco Pokrovka Management o.o.o.	Russia	Hospitality	44%	44%
MaMaison Bratislava, s.r.o.	Slovakia	Hospitality	44%	44%

Joint Venture of Orco Germany: PEG Knorrstrasse 119 GmbH & Co. KG (German entity DV) ; 28.40% in 2008 and 29.05% in 2009.

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3.1.4. Real Estate Assets

3.1.4.1 Commercial Investment Properties

Name of asset	Location	Character
Adm. Block + For Complex	Croatia	Office
Adriana	Croatia	Hotel
Amfora	Croatia	Hotel
Bodul	Croatia	Hotel
Bonj Beach	Croatia	Beach
Café Pjaca	Croatia	Restaurant
Camp Site Vira	Croatia	Hotel
Dalmacija	Croatia	Hotel
Delfin	Croatia	Hotel
Galeb	Croatia	Hotel
Laundry	Croatia	Laundry
Obonjan Rivijera	Croatia	Island
Palace	Croatia	Hotel
Pharos	Croatia	Hotel
Riva-Riva Yacht Harbour	Croatia	Hotel
Sirena	Croatia	Hotel
Americka 1 b3 (park residential)	Czech Republic	Residential
Americka 11	Czech Republic	Residential Development
Americká 13	Czech Republic	Residential
Americka 33	Czech Republic	Residential
Americka Park (ex hotel)	Czech Republic	Residential
Belgicka 36	Czech Republic	Residential
Bubenska	Czech Republic	Office
Hlubocky Olomouc	Czech Republic	Logistics
Hradcanska	Czech Republic	Office / Retail
Imperial Hotel	Czech Republic	Hotel
Jeremiasova	Czech Republic	Industrial
Letenska	Czech Republic	Residential
Machova 18	Czech Republic	Residential
Mariott	Czech Republic	Hotel
Na Kozacce	Czech Republic	Residential
Na Porici	Czech Republic	Office / Retail
Nad Petruskou	Czech Republic	Residential
Pachtuv Palace	Czech Republic	Hotel
Radio Free Europe	Czech Republic	Office
Residence Belgicka	Czech Republic	Extended stay hotel
Residence Masaryk	Czech Republic	Residential
Riverside 1+2	Czech Republic	Hotel
Riverside II	Czech Republic	Hotel
Rudna II - on hold	Czech Republic	Logistics
Stribro Industrial Park	Czech Republic	Logistics
Zahrebska 35	Czech Republic	Residential
Berlin Ackerstr. 93	Germany	Storage Production
Berlin Adalbertstr.	Germany	Mixed Commercial
Berlin Alexandrinenstr.	Germany	Residential / commercial
Berlin Bergfriedstr. 2,4,6 - Ritterstrasse 114,1	Germany	Residential
Berlin Blucherstr. 22	Germany	Residential / commercial
Berlin Feurigstr. 54	Germany	Residential / commercial
Berlin Franklinstrasse 27	Germany	Mixed Commercial

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Name of asset	Location	Character
Berlin Geneststr. 5-6	Germany	Residential / commercial
Berlin Glasower Str. 60 - Juliusstr. 10	Germany	Mixed Commercial
Berlin Gneisenaustr. 66-67	Germany	Mixed Commercial
Berlin Hellersdorf	Germany	Mixed Commercial
Berlin Helmholtzstr.	Germany	Mixed Commercial
Berlin Kopenicker Str. 145	Germany	Mixed Commercial
Berlin Kopenicker Str. 154	Germany	Mixed Commercial
Berlin Kopenicker Str. 154a - 157	Germany	Mixed Commercial
Berlin Kufurstenstr. 13-14	Germany	Mixed Commercial
Berlin Lobeckstr. 36	Germany	Mixed Commercial
Berlin Lubarser Str.	Germany	Commercial
Berlin Naunynstr. 68	Germany	Residential / commercial
Berlin Oranienstr. 10-11	Germany	Residential / commercial
Berlin Oranienstr. 188	Germany	Residential / commercial
Berlin Oranienstr. 24	Germany	Residential / commercial
Berlin Oranienstr. 6	Germany	Residential / commercial
Berlin Pankow	Germany	Mixed Commercial
Berlin Plauener Str.	Germany	Mixed Commercial
Berlin Prinzessinnenstr.	Germany	Mixed Commercial
Berlin Reichenberger Str.	Germany	Mixed Commercial
Berlin Reuchlinstr.	Germany	Mixed Commercial
Berlin Saalmanstr.	Germany	Mixed Commercial
Berlin Schlesische Str.	Germany	Mixed Commercial
Berlin Schwedenstr.	Germany	Mixed Commercial
Berlin Skalitser Str. 127-128	Germany	Mixed Commercial
Berlin Skalitser Str. 97	Germany	Residential / commercial
Berlin Sophie-Charlotten-Strasse	Germany	Mixed Commercial
Berlin TIB Tor 1 (Gustav-Meyer-Allee)	Germany	Commercial
Berlin Urbanstrasse 71	Germany	Residential / commercial
Berlin Waldemarstrasse 33	Germany	Mixed Commercial
Berlin Waldemarstrasse 37	Germany	Mixed Commercial
Berlin Wattstrasse 10-13	Germany	Mixed Commercial
Berlin Wilhelm von Siemens Strasse 23	Germany	Mixed Commercial
Berlin Wolfener Strasse 32-34	Germany	Mixed Commercial
Berlin Wolfener Strasse 36	Germany	Mixed Commercial
Berlin Zossener Strasse	Germany	Mixed Commercial
Brunnenstr. 156	Germany	Commercial
Brunnenstr. 27	Germany	Residential
Franklinstrasse 9-15a	Germany	Commercial
Helberger	Germany	Office
Invalidenstr.112/Chausseestr.21	Germany	Mixed Office
Kudamm 102	Germany	Office
Ku-Damm 103	Germany	Mixed Office
Lutticher Str. 49	Germany	Residential
Max-Planck Str.	Germany	Retail
TIB Tor 2 GSG HOF Voltastr., Mitte	Germany	Commercial
Wasserstr. 6a, 7, 8	Germany	Office
Wupperstr. 9, Steglitz - Zehlendorf	Germany	Industrial
Andrassy Hotel	Hungary	Hotel
Budapest Bank HQ (CWM35)	Hungary	Office

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Name of asset	Location	Character
Paris Department Store renting	Hungary	Office / Retail
Residence Izabella	Hungary	Extended stay hotel
Small Budapest Bank (MEDER36)	Hungary	Office
Starlight Hotel (OZRICS)	Hungary	Hotel
Szervita parking	Hungary	Parking
Cap 2	Luxembourg	Office
Residence Diana	Poland	Extended Stay Hotel
Residence Diana - office	Poland	Office
Hotel Vienna	Poland	Hotel
Le Regina	Poland	Hotel
Marki Phase 1	Poland	Industrial
Molcom	Russia	Logistics
Pokrovka	Russia	Hotel
Dunaj I, II	Slovakia	Office / Retail
Sulekova	Slovakia	Hotel

3.1.4.2 Development

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Name of asset	Location	Character
Istria Plot	Croatia	Plot of Land
Areal Zelene Udoli	Czech Republic	Residential
Bedrichov - Spynderlův Mlýn	Czech Republic	Residential
Bellevue	Czech Republic	Residential
Benice	Czech Republic	Residential
Benice - Centralni zdroj tepla	Czech Republic	Residential
Benice 1	Czech Republic	Residential
Benice 2-5	Czech Republic	Residential
Benice III	Czech Republic	Residential
Benice IV	Czech Republic	Residential
Benice IV	Czech Republic	Residential
Bubny	Czech Republic	Plot of Land
Cukrovarnicka	Czech Republic	Residential
Doupovska	Czech Republic	Plot of Land
Dubovy Mlýn, Udoli Ticha sarka, Prague 6	Czech Republic	Residential Development
Grand - Spynderlův Mlýn	Czech Republic	Residential Development
Ikem 1	Czech Republic	Residential Development
Ikem 5	Czech Republic	Residential Development
Kbely - Modra cesta	Czech Republic	Residential
Kolin	Czech Republic	Plot of Land
Kosic Phase 1	Czech Republic	Residential

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Name of asset	Location	Character
Kosic Phase 2	Czech Republic	Residential
Kosic Phase 3 A	Czech Republic	Residential
Kosic Phase 3 B	Czech Republic	Plot of Land
Kouzelne Medlanky	Czech Republic	Residential
Lesna, Brno	Czech Republic	Residential
Mezihori	Czech Republic	Plot of Land
Michle	Czech Republic	Residential
Mostecka	Czech Republic	Residential and Retail development
Nova ruda Liberec	Czech Republic	Residential
Nove Dvory	Czech Republic	Residential
Nové Medlánky III	Czech Republic	Residential
Nupaky	Czech Republic	Plot of Land
OBI Decin	Czech Republic	Plot of Land
Přovarov Vrchlabí	Czech Republic	Plot of Land
Plachta I.	Czech Republic	Residential
Plachta II.A	Czech Republic	Residential
Plachta II.B	Czech Republic	Residential
Plachta III	Czech Republic	Residential
Plachta Jih	Czech Republic	Plot of Land
Podkova Ostrava	Czech Republic	Residential
Praga I	Czech Republic	Plot of Land
Praga II	Czech Republic	Plot of Land
Praga III	Czech Republic	Plot of Land
Radotin	Czech Republic	Potting Program
Repy	Czech Republic	Residential
Rubeska	Czech Republic	Plot of Land
Rudna III - project to be sold	Czech Republic	Plot of Land
Slezska/ Na Frantisku	Czech Republic	Plot of Land
Slunecny vrsek Phase 2	Czech Republic	Residential
Sterboholý	Czech Republic	Residential
Troja - Nad Havrankou	Czech Republic	Residential
U Hranic	Czech Republic	Plot of Land
Vavrenova 4	Czech Republic	Residential Development
Vysocanska brana	Czech Republic	Office / Retail
Berlin Ackerstrasse 83-84	Germany	Plot of Land
Berlin Kufurstenstr. 11	Germany	Plot of Land
Berlin, Hakeburg	Germany	Residential
Berlin, Hochwald	Germany	Plotting program
Bernauer Strasse 67	Germany	Nursing home
Cumberland Palace	Germany	Commercial Development
Danzigerstrasse 73 - 77	Germany	Nursing home development
Elb Loft (Orco Elb-Office)	Germany	Plot of land
Gütersloh/Neuenkirchenerstraße	Germany	Nursing home
H2 Office	Germany	Office
Hüttenstrasse (Grey-Haus)	Germany	Residential Development (ion hold)
Ministergärten (Vossstr. 17-18/Ebertstr. 15A)	Germany	Residential
Muenchen Planegger Str.	Germany	Residential
München, Knorrstr.,MITZ	Germany	Infrastructure

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Name of asset	Location	Character
Quaterwest 2BA	Germany	Residential
QWarterwest	Germany	Residential
Sky Office	Germany	Office
Trudering 44	Germany	Plot of land
Trudering 47	Germany	Plot of Land
Trudering 69	Germany	Plot of Land
Tschaikowskistrasse 33	Germany	Nursing home
Wertheim Leipziger Platz	Germany	Plot of land
Szervita Office - on hold	Hungary	Commercial Development (on hold)
Vaci 1	Hungary	Retail Development
Bialystock	Poland	Plot of land
Feliz Residence/Drawska	Poland	Residential
Josefoslav	Poland	Plot of Land
Klonowa Aleja / Malborska	Poland	Residential
Krakow Ruczaj	Poland	Plot of Land
Mokotowska	Poland	Residential
Peugeot	Poland	Car repair centre
Przy Parku/ Drawska 2	Poland	Plot of Land
Sczcecin 1/ Szosa Polska	Poland	Plot of Land
Szafirowa Aleja	Poland	Residential
Zlota 44	Poland	Residential Development
Kaluga 145 Ha	Russia	Plot of Land
Radishevskaya	Russia	Office
Koliba/ Parkville	Slovakia	Residential
Stein Brewery	Slovakia	Commercial Development

3.1.5. Investments

3.1.5.1. Variations in 2009

82 investment properties (EUR 897.2 Million) financed by bank loans in local special purpose entities are fully pledged for EUR 711.7 Million.

Investments / Acquisitions

During the year, the Group invested EUR 20.1 Million in investment properties representing mainly capitalization on buildings under construction and investments for zoning and building permits:

- EUR 4.3 Million for the development of the Budapest Stock Exchange, retail development in Budapest;
- EUR 4.7 Million on the office development of Na Porici in Prague;

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- EUR 3.0 Million on the commercial development in Berlin (Wertheim for EUR 1.8 Million, Cumberland for EUR 0.7 Million, Elb Loft for EUR 0.5 Million);
- EUR 2.1 Million on the residential development in Czech Republic (Doupovska for EUR 1.5 Million, U Hranic for EUR 0.5 Million, Praga for EUR 0.1 Million);
- EUR 1.6 Million on mixed development of Bubny in Prague; and
- EUR 0.3 Million on residential development of Ruczaj in Krakow.

Out of the EUR 20.1 Million of investments, EUR 6.8 Million have been financed by bank loan draw downs.

Asset sales

During 2009, the net book value (“NBV”) of the assets sold represents EUR 67.4 Million, for a total sales price of EUR 65.7 Million out of which EUR 30.3 Million have been used to repay the bank loan financing, with a total net loss compared to the December 2008 DTZ valuation amounting to EUR -1.7 Million and composed mainly of the following disposals:

- Freehold buildings:
 - Small buildings in Berlin were sold (NBV of EUR 19.0 Million) at the sales price of EUR 18.6 Million;
 - Sale of Pappelallee building in Berlin (NBV of EUR 5.3 Million) at the sales price of EUR 4.3 Million;
 - Sale of Reinhardtstrasse building in Berlin (NBV of EUR 8.6 Million) at the sales price of EUR 8.4 Million;
 - Sale of Immanuelkirchstrasse 3-4 in Berlin (NBV of EUR 10.0 Million) at the sales price of EUR 10.0 Million; and
 - Sales of residential properties in the Czech Republic (NBV of EUR 17.2 Million) at the sales price of EUR 16.0 Million.
- Land bank:
 - Sale of Bezecka (NBV of EUR 0.7 Million) at the sales price of EUR 1.6 Million;
 - Sale of Origo in Budapest (NBV of EUR 5.1 Million) at the sales price of EUR 5.3 Million; and
 - Sale of GrugaCarree (NBV of EUR 1.5 Million) at the sales price of EUR 1.5 Million.

3.1.5.2. Variations in 2008

Investments / Acquisitions

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

1. Freehold buildings (EUR 37.0 Million).
 - New acquisitions (EUR 12.7 Million):
 - Germany: various residential and office buildings among which Hüttendorf (EUR 7.9 Million), Hakeburg (EUR 3.4 Million) and Hochwald (EUR 1.4 Million).
 - Subsequent expenditures on previous acquisitions (EUR 24.3 Million), among which:
 - Germany: Cumberland (EUR 5.6 Million). GSG purchased during the year the Hereditary Building Rights (HBR) for 7 plots, amounting to EUR 12.5 Million; and

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- Poland: Marki (EUR 2.3 Million).

2. Land bank (EUR 73.7 Million):

- New acquisitions (EUR 38.7 Million):
 - Germany: Gethsemanestrasse (EUR 2.9 Million);
 - Czech Republic: Nupaky (EUR 6.4 Million) and OBI Decin (EUR 2.2 Million);
 - Croatia: Obonjan Rivijera (EUR 2.2 Million);
 - Poland: new plot in Krakow (EUR 7.6 Million); and
 - Russia: new plot in Kaluga (EUR 17.4 Million).
- Subsequent expenditures on previous acquisitions (EUR 35.0 Million), among which:
 - Germany: Wertheim in Berlin (EUR 2.7 Million);
 - Czech Republic: Bubny (EUR 12.6 Million);
 - Hungary: Origo plot (EUR 3.8 Million); and
 - Poland: Jozefoslaw (EUR 2.3 Million).

Partial Sale

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

Asset sale

During the period, the NBV of the assets sold represents EUR 152.7 Million, with a total net loss compared to the December 2007 DTZ valuation amounting to EUR 0.5 Million and composed mainly of the following disposals:

- the Luxembourg Plaza office building was sold to the Endurance Real Estate Fund for a sales price equivalent to the NBV amounting to EUR 31.6 Million;
- the former Luxembourg head office building (NBV of EUR 2.3 Million) was sold at the price of EUR 2.3 Million;
- sales of apartments from the Vinohrady portfolio (NBV of EUR 45.1 Million) at the sales price of EUR 46.6 Million;
- the building Londynska 26 (NBV of EUR 2.6 Million), at the sales price of EUR 1.9 Million;
- small buildings in Berlin were sold (NBV of EUR 12.3 Million) at the sales price of EUR 12.6 Million;
- sales of apartments from the Americka residential buildings for an NBV of EUR 2.4 Million at the sales price of 3.9 Million;
- sales of a part of the project Gethsemanstrasse (NBV of EUR 3.0 Million) at the sales price of EUR 3.1 Million;
- the project in Slovakia Kohal Kosice (NBV of EUR 5.8 Million) was sold at the sales price of EUR 3.9 Million;
- the Revay Utca 10 project (NBV of EUR 4.2 Million) in Budapest was sold at the sales price of EUR 3.4 Million;
- the CIB Bank in Budapest (NBV of EUR 7.6 Million) was sold at the sales price of EUR 7.1 Million; and

- the Otrada project in Russia (NBV of EUR 35.8 Million) was sold at the sales price of EUR 35.8 Million.

3.1.5.3. Variations in 2007

The scope movements refer principally to GSG's (Gewerbesiedlungs-gesellschaft mbH) buildings acquired by Orco Germany SA (see note 6 on business combinations) and plots of land owned by Molcom, a logistics company acquired in Russia. End of 2007, the Group sold 50% of its hotel portfolio to AIG among which the Starlight Suite Hotel (EUR -4.5 million) and the Residence Izabella (EUR -3.3 million). This movement reported on the partial sale line reflects the change in consolidation methodology from global consolidation to proportionate and as such the exit of the 50% of the assets.

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

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

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

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

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

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

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

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

3.2. Business overview as of the 30 June 2010 consolidated financial information

3.2.1. Market environment

CEE office markets: higher investment volumes triggered yield compression

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

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

Source: Jones Lang Lasalle Research

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

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

Analysts from Jones Lang LaSalle's offices in Prague, Warsaw, Bucharest and Budapest have noted a revival in the real estate investment market and expect the situation in the region to improve over the

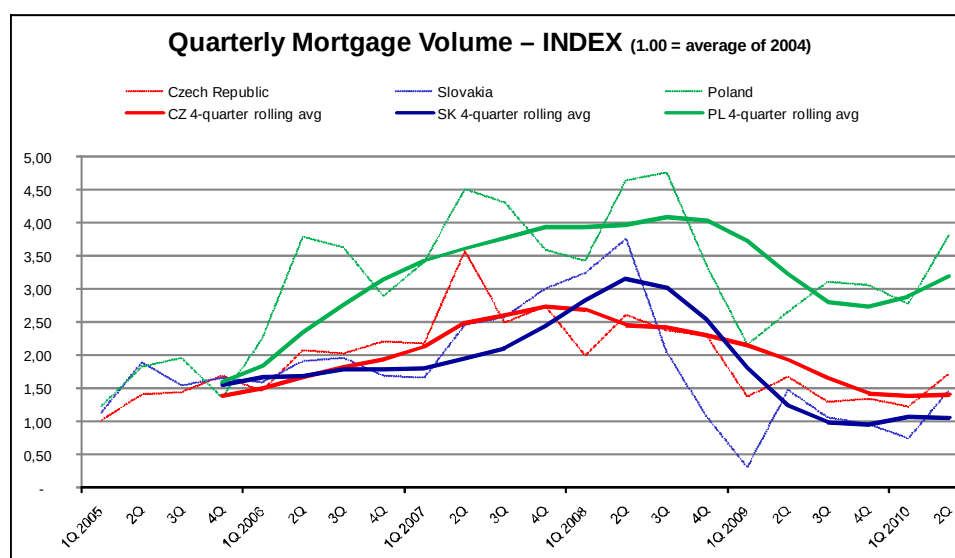
remaining months of 2010. A gradual increase of pressure on yields is to be expected as a result of the greater value and number of transactions in the region.

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

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

CEE residential markets: not all in the same boat

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



Czech Republic and Slovakia

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

Supply: In Prague, unsold stock is expected to start decreasing by the end of 2010 as construction starts are decreasing. Indeed, in 2009, King Sturge recorded a 16% decrease of commenced

construction compared to 2008 and a 17% increase on number of completed dwellings. In addition, for the first four months of 2010, only 786 flats have been started in Prague (year-on-year decrease of 40%) whereas 2,594 dwellings have been completed (year-on-year decrease of 8%).

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

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

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

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

Poland

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

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

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

3.2.2. Principal activities

3.2.2.1. Key events

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

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

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

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

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

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

including the mandates of the board of directors. In turn, this could render the board of directors' decisions since 26 April 2010 invalid.

Renewed mandates for the Board of Directors

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

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

Continued successful renegotiations of bank loans

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

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

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

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

Update on the Zlota 44 project

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

Subsequently, the case went all the way up to the Supreme Administrative Court and on 15 March 2010, it was ruled that the zoning approval was legal, thus preventing further appeals. However, on 24 June 2010, the Supreme National Court (NSA) decided to send this matter to the Mazovian

Voivode for additional consideration thereby further delaying the restart of construction. The Court confirmed that the Group was validly granted the permit for derogation from the legal provisions and did not commit any errors. All charges of the NSA referred to the formal defects and procedures of the administrative authorities, not the actions of the Group.

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

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

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

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

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

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Asset and commercial developments disposals

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

Asset disposal	Description	Kind of deal	Date of Sale	Date of transfer	Sales price EUR Million	DTZ Value (31.12.2009) EUR Million	Variation Sales price vs DTZ	Loan balance at date of sales incl. Sw ap Costs EUR Million
1-Asset disposals								
Closed Transactions								
Helberger	Office Asset in Frankfurt	asset	12/14/2009	2/1/2010	11.0	11.0	0.0%	8.5
Wasserstrasse	Office Asset in Duesseldorf	asset	12/23/2009	3/30/2010	8.2	8.4	-2.4%	7.0
Geneststrasse 6	GSG Asset in Berlin	asset	2/1/2010	29/02/2010	1.8	1.7	8.6%	1.1
Kurfuerstendamm 103/104	Asset in Berlin on Kurfuerstendamm	asset	3/29/2010	5/21/2010	8.0	8.2	-2.4%	4.8
Luetticherstrasse 49	Residential Asset in Berlin	asset	3/4/2010	6/30/2010	1.0	1.0	0.0%	0.9
Letenska	Office Asset in Prague Apartments in Vinhorady/Prague	asset	April 2010	April 2010	0.4	0.4	-7.0%	0.4
America 3	Apartments in Vinhorady/Prague	fractional sales	H1 2010	H1 2010	0.1	0.1	26.0%	0.0
America Park Residential	Apartments in Vinhorady/Prague	fractional sales	H1 2010	H1 2010	0.3	0.3	0.7%	0.0
Belgicka 36	Apartments in Vinhorady/Prague	fractional sales	May 2010	May 2010	0.1	0.1	-31.8%	0.0
Transferred in H1 2010					30.9	31.2	-0.9%	22.7
Transactions signed as of 31 August 2010 (not recognized in H1 2010)								
Max-Planck Strasse	Office Asset in Koeln	asset	5/10/2010		5.4	5.8	-6.9%	3.0
Brunnenstrasse 27	Asset in Berlin mixte use	asset	5/7/2010		1.7	1.4	21.4%	1.1
Cumberland	empty mixed use building in Berlin	asset	7/9/2010	8/25/2010	29.0	28.0	3.6%	20.0
Kolin	land bank plot	LB	Q3 2010	Q3 2010	0.5	0.2	130.0%	0.0
OBI Decin	retail plot	Land Bnak	Q3 2010	Q3 2010	1.3	1.5	-13.3%	0.0
Not transferred in H1 2010					37.9	36.9	2.6%	24.1
Total Assets disposal					68.8	68.1	1.0%	46.772
2-Commercial development sales								
Closed Transactions								
H20	office developemnt in Duisburg	asset	3/30/2010	6/1/2010	32.5	29	12.1%	24.8
Sew o (Oranienburg)*	Health Care development	share	5/3/2010	5/3/2010	10.8	10.6	1.9%	7.1
Alpha (Rostock)*	Health Care development	share	5/3/2010	5/3/2010	9.6	8.8	9.1%	6.9
Epsilon (Guetersloh)*	Health Care development	share	5/3/2010	5/3/2010	12.1	11.9	1.7%	7.4
FFSE (furniture)*	Entity holding the funrniture for Health Care asset	share	5/3/2010	5/3/2010	2	0	N/A	0
HC Trudering*	Plot of Land	asset	8/7/2009	6/25/2010	1.8	1.8	0.0%	0
Transferred in H1 2010					68.8	62.1	10.8%	46.2
Transactions signed as of 31 August 2010 (not recognized in H1 2010)								
Danzigerstrasse 73-77*	Health Care Development	asset	5/3/2010		5.5	5.5	0.0%	5.5
Total Commercial development sales					74.3	67.6	9.9%	51.7

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

Commercial development sales: H2 Office, an office building located in Duisburg has been sold for EUR 32.5 Million with a gross margin amounting to EUR 2.7 Million. In addition, EUR 34.5 Million have been recognized in revenues for the sale of 4 Healthcare projects in Germany with a gross margin of EUR 3.4 Million. The Danzigerstrasse healthcare project in Berlin and the Peugeot commercial building in Warsaw have also been sold for a total amount of EUR 9.2 Million but will be transferred in Q3 2010.

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

Dispute with Croatian Privatization Fund (“CPF”)

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

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

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

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

During the general meeting of shareholders of Suncani Hvar dd on 3 January, 2011, the CPF voted against the Company’s proposals to restructure Suncani Hvar dd. On 4 January, 2011, Mr. Ott was invited to respond in Zagreb to questions from the Split police authorities. Mr. Ott voluntarily complied and left Croatia later that evening.

On 6 January, 2011 the Company filed a Notice of Dispute with the Croatian Prime Minister’s office. This is the first step of an international arbitration pursuant to the Belgo/Luxembourg-Croatia and France-Croatia bilateral treaties.

3.2.2.2. Portfolio overview

a. Development business line

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

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

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

(i) Commercial developments

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

The GAV of the commercial developments reached EUR 221 Million in June 2010 vs. EUR 280 Million in December 2009. The variation is due to:

- EUR 60 Million decrease due to sales closed over the first half of 2010.
- EUR -3 Million of net change in market value.
- EUR 4 Million investments.

Sales closed during the first half of 2010

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

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

Projects under construction

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

Projects finalized but not sold yet

Over the eleven commercial assets completed during 2009, four were sold, four transferred to Asset Management before the end of 2009 and three are still to be sold:

- Sky Office in Dusseldorf generated EUR 2.9 Million revenues in 1H 2010. While occupancy remained stable at 66%, interests are covered by contractual rent. The average rental income for the rented space stands at 22 €/sqm. The Group is actively working on the sale and leasing with the aim of closing a deal within the coming 6 to 9 months.
- Vysocany Gate, which contributed with EUR 0.3 Million rental revenues in 1H 2010, is subject to sales negotiations.
- Radischevskaya for which the Company is currently considering two strategies: provide standard fit-out with further leasing or sale of the asset in its current status. A final decision is to be reached following the potential buyers visits which are still ongoing.

(ii) Residential development

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

The variance of EUR -46 Million over the first half of 2010 with a gross asset value amounting to EUR 166 Million) compared to December 2009 (EUR 212 Million) is driven by:

- EUR 26 Million decrease due to sales closed over the first half of 2010.
- EUR -23 Million of net change in market value.

- EUR 3 Million of investments.

Projects finalized with ongoing deliveries

The portfolio of projects which are contributing to the 2010 residential revenues is essentially made of 9 projects, most of them being completed in terms of construction in 2009 or earlier. These projects are:

- Klonowa Aleja, Feliz Residence and Mokotowska 59 in Warsaw, Poland;
- Kosik 3A, Radotin, Citadella (Nove Dvory) Tyrsuv Vrch (Michle) and Benice I in Prague;
- Plachta 3 in Hradec Kralove;
- Le Mont and Bellevue in Spindelruv Mlyn;
- Parkville in Bratislava.

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

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

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

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

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

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

Projects under construction

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

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

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

(iii) Land bank

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

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

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

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

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

- Land development which consists in obtaining zoning permits on parcels and sell them once buildable. This activity has a shorter development process than the traditional real estate development and allows better margins on costs. In Q1 2010, a Letter of Intent for sale of 1 ha was signed and the sale contract is expected to be signed before the end of 2010. First part of

sale price shall result in total revenues of EUR 7.9 Million before the end of 2010. Supplementary revenues will be recognized upon realization of the permitting.

- Residential and Commercial development realized by the Company itself or in joint ventures. In that purpose significant progress was made in terms of land permitting and partnerships. A memorandum of understanding for 50% partnership on the development of a retail scheme on a surface of 3ha in Bubny was signed with ECE in August 2010. Due diligence process is currently ongoing before closing the transaction. There should be both free cash paid to the Group and financing equity for the development in the joint venture.

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

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

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

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

Land bank disposal

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

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

b. Asset Management

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

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

(i) The rental assets

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

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

Asset disposals

Please refer to point 4.6 of this report.

Investments

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

Change in market value

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

GSG Berlin performance

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

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

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

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

Moscow Molcom Logistics

Molcom Logistic Complex has introduced as of May 2010 a new billing system, which charges tenants per operations (per palette, inbound, outbound, storage, packaging, labeling etc.) rather than by square meter. All new clients are being charged according to this new billing system, while the existing clients are migrating to it gradually. Molcom has obtained a Certificate about entry into the Register of potentially dangerous industrial enterprises and is appropriate in accordance with the legislation of the Russian Federation for the purposes of storage of the type of goods with the different danger factors. In order to secure higher revenue stream, Molcom is now focusing on optimizing the occupied area. As of June 2010, occupancy reached 68.5%. However, Molcom has already signed agreements bringing occupancy at 81%. Given the new billing system, the average rent per sqm has also increased from RUB 20.3 per sqm per day as of Dec 2009 to RUB 27.5 per sqm per day as of June 2010. As a result of the operational achievements, the evolution of the currency and the improvement of the attractiveness of the Russian market, the logistic complex fair value went up over the first half of 2010 by EUR 11.0 Million to EUR 63.9 Million.

Central European properties

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

Rental Assets portfolio	GLA (sq m)	Occupancy (%)	Average rent (€/sq m)
Czech Republic	158,075	78.1%	6.36
Hungary	29,598	57.6%	15.76
Poland	35,487	78.8%	3.09
Slovakia	10,355	8.0%	23.08
Luxembourg	7,744	99.2%	20.53
Germany	855,608	77.4%	5.9
ow GSG portfolio	815,284	77.1%	5.83
ow Other German assets	40,324	84.3%	7.87
Russia	110,535	68.5%	19.23
Total Portfolio	1207,402	75.8%	7.58

During the first six months of 2010, the performance of the rental portfolio was negatively impacted by the expiration of several important leases in Central Europe, such as Ceska sporitelna in Bubenska, Prague (28,000 sqm office building, released as of January 2010), Budapest Bank (14,000 sqm office building, released by the main tenant in January and July 2010), Stribro Industrial Park (22,400 sqm released in June 2010). Over the first half of 2009, these buildings generated EUR 3.5

Million compared to EUR 1.9 Million over the first half of 2010. The Company also received release notice for its Budapest Bank building (14,000 sqm) which was subsequently emptied in July 2010.

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

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

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

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

(ii) Hospitality assets

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

CEE hotels

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

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

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

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

Suncani Hvar Hotels

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

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

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

3.2.3. Investments

Investment property	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
Balance at 31 December 2008	899,509	22,285	287,124	-	2,800	1,211,718
Investments / acquisitions	3,502	67	7,535	9,023	-	20,127
Asset sales	-60,149	-	-7,279	-	-	-67,428
Revaluation through income statement	-102,698	-917	-65,723	-7,240	-1,020	-177,598
Transfers from properties under development	50,170	-	-	41,682	-	91,852
Other Transfers	3,107	-5	-7,033	-4,744	-1,500	-10,175
Translation differences	2,263	-	156	1,389	-	3,808
Balance at 31 December 2009	795,704	21,430	214,780	40,110	280	1,072,304
Investments / acquisitions	570	7	1,076	3,557	-	5,210
Asset sales	-11,887	-	-60	-	-	-11,947
Revaluation through income statement	26,917	-	-	-	-288	26,629
Transfers	-21,410	-	-1,507	-	-	-22,917
Translation differences	3,320	-	1,553	-2,359	8	2,522
Balance at 30 June 2010	793,214	21,437	215,842	41,308	-	1,071,801

Even though the Group is controlling the majority of the voting right, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

As at 30 June 2010, 62% of the investment properties portfolio has been valued by DTZ.

79 investment properties (EUR 1,018.8 million) financed by bank loans in local special purpose entities are fully pledged for EUR 711.1 million.

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- In 2010

A) Investments / Acquisitions

During the period, the Group invested EUR 5.2 million in investment properties representing mainly EUR 3.6 million in Hungary of capitalization on the development of the Vaci 1 project (Budapest Stock Exchange), retail development in Budapest.

The investments have been financed by bank loans of EUR 2.3 million (Budapest Stock Exchange for EUR 1.5 million, Bubny for EUR 0.8 million).

B) Asset sales

During the period, the net book value (“NBV”) of the assets sold amounts to EUR 11.9 million, with a total net loss compared to the December 2009 DTZ valuation amounting to EUR -0.1 million and composed mainly of the following disposals:

- Small buildings in Berlin have been sold (NBV of EUR 2.7 million) at the sale price of EUR 2.9 million;
- Sale of Ku-Damm 103 building in Berlin (NBV of EUR 8.2 million) at the sale price of EUR 8.0 million;
- Sales of residential and commercial buildings in Prague (NBV of EUR 1.0 million) at the sales price of EUR 0.9 million;

The asset sales have resulted in a repayment of bank loans amounting to EUR 5.9 million.

C) Revaluation through income statement:

The movement in fair value relates mainly to Freehold buildings and to Building under finance lease:

- In Germany, the total amount of increase in fair value amounts to EUR 23.8 million on Freehold Buildings;
- In the Czech Republic, the increase in fair value amounts to EUR 3.1 million on Freehold Buildings and to EUR -0.3 million in building under finance lease;
- In Hungary, the decrease in fair value amounts to EUR -0.7 million on Freehold Building;
- In Poland, the increase in fair value amounts to EUR 0.1 million on Freehold Building;
- In Luxembourg, the increase in fair value amounts to EUR 0.6 million on Freehold Building;

D) Transfers

The transfers are mainly made of the following movements:

- The Group is expecting to sell 3 investment properties in Germany and 1 Land bank in the Czech Republic, which have been transferred in assets held for sale for EUR 36.7 million: Max Planck Str. (EUR 5.5 million), Cumberland (EUR 28.0 million), Brunnestr. 27 (EUR 1.7 million) and Na Frantisku (EUR 1.5 million).
- The Group stopped the sale process of 2 projects in Hungary (Small Budapest Bank and Main Budapest Bank), which have been transferred from assets held for sale for EUR 13.8 million.

- In 2009

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82 investment properties (EUR 897.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 711.7 million.

A) Investments / Acquisitions

During the year, the Group has invested EUR 20.1 million in investment property representing mainly capitalization on buildings

under construction and investments for zoning and building permits.

- EUR 4.3 million for the development of the Budapest Stock Exchange, retail development in Budapest;
- EUR 4.7 million on the office development of Na Porici in Prague;
- EUR 3.0 million on the commercial development in Berlin (Wertheim for EUR 1.8 million, Cumberland for EUR 0.7 million, Elb Loft for EUR 0.5 million);
- EUR 2.1 million on the residential development in Czech Republic (Doupovska for EUR 1.5 million, Uhranic for EUR 0.5 million, Praga for EUR 0.1 million);
- EUR 1.6 million on mixed development of Bubny in Prague;
- EUR 0.3 million on residential development of Ruczaj in Krakow.

Out of the EUR 20.1 million of investments, EUR 6.8 million have been financed by bank loan draw downs.

B) Asset sales

During 2009, the net book value ("NBV") of the assets sold represents EUR 67.4 million, for a total sale price of EUR 65.7 million out of which EUR 30.3 million have been used to repay the bank loan financing, with a total net loss compared to the December 2008 DTZ valuation amounting to EUR -1.7 million and composed mainly of the following disposals:

Freehold buildings:

- Small buildings in Berlin have been sold (NBV of EUR 19.0 million) at the sale price of EUR 18.6 million;
- Sale of Pappelallee building in Berlin (NBV of EUR 5.3 million) at the sale price of EUR 4.3 million;
- Sale of Reinhardtstrasse building in Berlin (NBV of EUR 8.6 million) at the sale price of EUR 8.4 million;
- Sale of Immanuelkirchstrasse 3+4 in Berlin (NBV of EUR 10.0 million) at the sale price of EUR 10.0 million;
- Sales of residential in properties in Czech Republic (NBV of EUR 17.2 million) at the sale price of EUR 16.0 million.

Land bank:

- Sale of Bezecka (NBV of EUR 0.7 million) at the sale price of EUR 1.6 million;
- Sale of Origo in Budapest (NBV of EUR 5.1 million) at a sale price of EUR 5.3 million;
- Sale of GrugaCarree (NBV of EUR 1.5 million) at a sale price of EUR 1.5 million.

C) Revaluation through the income statement:

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

- In Germany, the total decrease in fair value amounts to EUR -54.9 million (EUR -39.1 million on Freehold Buildings and EUR -15.8 million on Land Bank);
- In Czech Republic, the decrease in fair value amounts to EUR -66.2 million (EUR -27.1 million on Freehold Buildings, EUR -38.1 million on Land Bank and EUR -1.0 million on Buildings under finance lease);
- In Hungary, the total decrease of fair value amounts to EUR -32.0 million (EUR -24.5 million on Freehold Buildings and EUR -7.2 million on property under development and EUR -0.3 million on Extended Stay Hotels);
- In Poland, the total decrease of fair value amounts to EUR -10.4 million (EUR -1.6 million on Freehold Buildings, EUR -7.9 million on Land Bank and EUR -0.9 million on Extended Stay Hotels);
- In Slovakia, the total decrease of fair value amounts to EUR -8.1 million on Freehold Buildings;
- In Luxembourg, the total decrease of fair value amounts to EUR -2.1 million on Freehold Buildings;
- In Russia, the total decrease of fair value amounts to EUR -1.2 million on Land Bank;
- In Croatia, the total decrease of fair value amounts to EUR -2.7 million on Land Bank.

D) Transfers

The transfers are mainly made of the following movements:

1/ Freehold buildings

Main Incoming Assets

- Na Porici (EUR 45.4 million) and Budapest Stock Exchange (EUR 41.7 million) have been transferred from Properties under development to Investment Property as at 1st January 2009, due to the application of IAS40 Revised.
- Hradcanska (EUR 14.8 million), Logistic Park Hlubocky (EUR 5.0 million) and Paris Department Store (EUR 21.5 million) are projects previously recognized as Inventories, which are now transferred to Investment Property.
- Ku-Damm 103 (EUR 8.7 million) is transferred from Own Occupied Buildings to Investment Property. This asset will be rented to third parties as Orco Germany's headquarters have moved to another office in Berlin.

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Main Outgoing Assets

- Mostecka (EUR 10.8 million) and Americka 11 (EUR 2.6 million) are transferred from Investment Property to Inventories as the development of these projects has been approved by the Investment Committee.
- Main Budapest Bank (EUR 12.8 million), Stein in Bratislava (EUR 10.0 million), Wasserstrasse in Düsseldorf (EUR 8.4 million),
- Small Budapest Bank (EUR 0.6 million) are transferred to Assets held for sale.

Other movement

- Elb Loft (EUR 1.8 million) is transferred from Freeholdbuildings to Landbank.

2/ Land bank

- Helbegeer (EUR 11 million) is transferred to Assets held for sale.

List of major investment properties:

	6 months to 30 June 2010		12 months to 31 December 2009	
	2010	Fair Value	2009	Fair Value
	Revaluation	30.06.10	Revaluation	31.12.09
Freehold Buildings	26,917	793,214	-102,698	795,704
Germany	23,829	524,401	-39,146	546,347
GSG	23,081	463,226	-26,658	441,832
Franklinstraße 15	900	38,150	-3,128	37,250
Cumberland Haus	-127	-	-2,959	28,000
Brunnenstraße 156 & Invalidenstraße 112	60	8,340	1,210	8,280
Ku damm 103	-	-	-518	8,170
Kurfürstendamm 102	20	6,210	-1,580	6,190
Max Planck Strasse	-360	-	-790	5,830
Hüttendorf	-	5,100	-2,259	5,100
Hakeburg	-	2,465	159	2,375
Lutticher Str. 49	-	-	-240	970
Hochwald	-	910	-52	910
Transferred to assets held for sale	255	-	-2,331	1,440
Czech Republic	3,081	174,564	-27,234	166,880
Radio Free Europe	5,419	57,000	-6,831	50,000
Na Porici	-1,541	47,550	-2,632	47,600
Vltavska	-	26,800	-7,457	26,800
Hlubocky	-	19,111	-2,048	18,500
Hradcanska	-	12,833	-2,380	12,450
Stribro	-	4,410	-3,582	4,410
Jeremiasova	20	2,610	-460	2,590
Americka Park Residential	-672	1,418	-3,336	2,380
Belgicka 36 - Na Kozacce	-5	756	-118	950
Americka 3	-17	684	1,679	760
Nad Petruskou 8	-57	396	-160	440
Residence Masaryk, Jana Masaryka 40	-	441	249	441
Letenska	-	31	-78	440
Americka 13, Prague 2, Czech Rrepublic	-39	270	-60	300
Zahrebska 35, Prague 2, Czech republic	-27	254	-20	280
Slovakia	-	15,860	-8,082	15,860
Dunaj	-	15,860	-2,805	15,860
Transferred to assets held for sale	-	-	-5,277	-
Hungary	-660	40,961	-24,511	28,395
Paris Department Store	-	14,445	-6,972	15,000
Szervita Square	-660	9,400	-4,248	10,060
Starlight Suite Hotel	-	3,335	-1,030	3,335
Headquarters of Budapest Bank	-	13,135	-10,568	-

3.3. Business update as of the date of the Prospectus

3.3.1. CEE real estate markets as of September 2010

Office

The majority of Europe's economies continue to recover.

Prime rents across the region increased during Q3 2010 modestly or remained unchanged with the exception of Moscow (+6.3%), Stockholm (+5.4%) and London (+2.9%). Large incentives remained a feature of many markets.

Average European vacancy rate remained double-digit but was stable over Q3 2010. Vacancy continued to decrease in CEE. Meanwhile levels in Western Europe increased slightly by 20 bps to 10%.

As economic growth returns, occupiers are increasingly committing to deals, although much activity remains driven by consolidation and churn.

The public deficit across Europe is likely to drive cost cutting and austerity measures which could reduce occupier confidence to deal and lead to negative net absorption from the Public Sector.

Still, take-up in 2010 is expected to be broadly in line with long term averages.

Office market									
City	Take-up Q2 2010, sq m	Take-up Q3 2010, sq m	Annual change in stock, %	Availability ratio, %	Prime rents, €/sq m/month	Annual change in prime rents, %	Prime Yield Q3 2009, %	Prime Yield Q3 2010, %	Annual change in Yield
Prague	49 000	42 200	2,5%	13,1%	21,0	0%	7,00%*	6,85%*	- 25bps
Berlin	93 000	98 000	0,3%	8,6%	21,0	-1%	5,50%	5,40%	- 10 bps
Warsaw	63 400	85 200	5,5%	7,6%	24,0	0%	6,75%*	6,6%*	- 15 bps
Budapest	61 000	53 000	32,1%	21,6%	14,0	-7%	8,00%*	7,75%*	- 25bps
Moscow	290 000	140 000	20,4%	11,5%	55,0	13%	12,00%*	11,00%*	- 100 bps

Source : DTZ, CBRE

* Last data published is H1 2010

Retail

Retail continues to attract investors' interest in Europe. EUR 7.3 Billion were invested, 34% of the total amount of commercial real estate investment across Europe. Supermarkets (EUR 2 Billion), Shopping centres (EUR 1.3 Billion) and retail warehousing (EUR 1.3 Billion) were the main targets of investors.

In CEE, the largest portfolio transaction since 2007 was registered in Q3 2010 with Unibail Rodamco acquiring two Warsaw shopping centers for around EUR 500 Million.

Yields

Yields for prime assets compressed further in the major part of European markets. Poland and Eastern Europe are following the same path with a 50-100 basis point (bps) downward movement for Eastern Europe and 35-50 bps in Warsaw according to CBRE and JLL.

Across the region capital values stand 17.3% higher than a year ago. Over the same period rents remained stable. Yield compression has been the main driver of the growth of valuation of prime assets.

Capital value of secondary assets remains under pressure given the lack of both rental growth and yield compression.

Prime yield compression should now decrease, leaving rental growth driving the future growth in valuations.

CEE markets exhibit a strong increase of volume of investments with EUR 1.5 Billion in Q3 2010, close to 60% increase on Q2 figures according to CBRE. But the overall increase hides a decrease of

transactions due to the focus of investors on the prime end of the market. Appetite for risk amongst investors remains low.

Investor base is changing. German Open-Ended Funds (GOEFs) did not close any transaction in Q3 2010 as a consequence of domestic change of regulation. Conversely other investors are increasing activity or are entering the region such as Chinese Sovereign funds.

Prague office market

Czech Republic economy is recovering. GDP rose 0.9% in Q2 2010, more than double the average pace of growth seen in the three preceding quarters. A rising external demand driven by the strong economic growth of Germany is the main driver of this improvement. GDP growth target is now 2% in 2010 and 2.8% in 2011, meanwhile unemployment should decrease from 9.0% in 2010 to 8.5% in 2011 (Oxford economics and CSO estimates). Inflation should remain at a moderate rate of 1.5% in 2010 and rise to 2.3% in 2011.

According to DTZ, Prague specific market should be impacted by the aftermath of the municipal elections that took place mid October. The new representations are likely to open disputed topics that will impact the real estate market directly or indirectly. Such topics include approvals of controversial commercial development projects; urban planning issues; and public infrastructure such as the proposed metro lines.

Total office stock in Prague reached 2.7 Million sq m showing a slight decrease quarter to quarter due to temporary stock withdrawal for refurbishment. Pařížská 26 (1,200 sq m) is the only new completion in Q3 2010.

Gross take-up reached 46,300 sq m in Q3 2010 (-5.5% VS Q2 2010 and -5.0% VS Q3 2009). Net take-up reached 28,900 sq m, a 2.0% decrease compare to Q2 2010 but a 7% increase compare to Q3 2009.

The average size of transaction remains unchanged at around 630 sq m. The median deal size is 390 sq m.

Vacancy decreased slightly at 13.18% - 354,000 sq m - thanks to a lack of new supply. This level should increase in Q4 2010 as a new supply of 29,000 sq m is expected during the next quarter, 86% of which is not pre-leased.

Prime headline rents have remained stable during Q3 2010 in city centre locations at €20-21/sq m/month. According to DTZ, prime rents are expected to remain at this level over Q4 2010 and 2011. There is currently 170,000 sq m in various stages of construction, of which ca. 27,000 sq m are on hold and awaiting pre-leases. In 2011, the supply pipeline is expected to reach only around 70,000 sq m, and in 2012 the supply pipeline could increase up to 200,000 sq m, which is close to the historical average of 2002–2009.

Prague Retail Market

Prague has a total modern retail stock of 960,000 sq m, 34% of Czech Republic stock. Around 66% of the total stock in Czech Republic consists of shopping centers, 29% of retail parks and big box stores; inner city arcades and department stores follow with a share of 2% each of total stock, and the two existing outlets account for 1% of Czech retail stock.

New supply for 2010 will amount to ca. 140,000 sq m in total, which is 30% lower than in 2009, the supply pipeline for 2011 is predicted to be even lower at around 110,000 sq m 11% down from 2010.

Retail performance is still poor. DTZ points out those temporary increases in sales are primarily driven by permanent promotions and discounts on the cost of retailers profit margins. It is forecasted that retail sales will be still declining in 2010 on the year; however the decline will be less than in 2009 (-0.7%). They are expected to grow again only next year by below 3% y-o-y, according to Oxford Economics.

Prime high street rents in Prague remain stable at around EUR 160-€170/ sq m/month. Prime shopping centre rents in Prague for a unit of 50-100 sq m range between EUR 50 and EUR 80/sq

m/month. In retail parks, prime space for units of around 1,000 sq m range between EUR 12 and EUR 15 per month in Prague.

Despite prime rents staying stable, there is an evident pressure from retailers to decrease the turnover rent in some shopping centers due to decreases in profit margins.

Warsaw Office Market

According to DTZ, the current stock of office space in Warsaw amounts to 3.4 Million sq m; 67% of which is located in non central districts. In 2010, the annual supply will reach circa 190,000-195,000 sq m. The forecasted annual supply for the year 2011 should hit an historically low level circa 110,000-115,000 sq m due to a difficult year 2009 for developers and stricter banks rules regarding the financing of new projects. It represents a 43% decrease y-o-y.

Demand for office space, on the other hand is benefiting from an improving macroeconomic climate and positive forecast for polish economy. The volume of leasing transaction (excluding renegotiations) in Q3 2010 exceeded 98,000 sq m, which represents a significant increase in comparison to the previous six quarters according to DTZ. Low rental levels and the availability of good quality office space fuel the interest of tenants for opportunities of relocation or expansion.

Vacancy rate of office space in Q3 2010 remains stable at a level of 8%. Taking into consideration the low level of future supply and the positive outlook for the demand, DTZ believes that the average vacancy rate for office space should decrease over the year 2011 to a level of 5% or less.

Prime rents are currently at a level of €23-24 per sq m per month in central location and a level of €14-16 sq m per month in non-central location. The current low supply and strengthening demand outlook on the office market in Warsaw favors a growth of rent levels. An increase of €1-2 per sq m per month is forecasted by the brokers in 2011.

Budapest Office Market

The Hungarian economy has begun to emerge from recession. GDP grew for the first time in Q2 2010 thanks to a robust external demand driven by the recovery of the German economy. The pace of the recovery is still slow with an increase of +0.1% y-o-y in Q2 2010 but GDP is forecasted to increase by 2.2% over the year 2011 according to Oxford Economics.

According to DTZ, the total office stock of Budapest stands at 3,083,000 sq m including 1.98 million of class A and 588,000 sq m of class B rentable office space. The completion level in 2010 is extremely low and the supply of new office space will remain at low level in 2011 according to DTZ. With 23,180 sq m completed in Q3 2010, the level of completion is the lowest since 2008 and shows a 57% decrease compare to the second quarter. Only one building is expected to be completed in Q4 2010 and none in Q1 2011. Circa 90,000-100,000 sq m of office accommodation is scheduled for delivery in 2011 (broker estimates).

Take-up totalled in Q3 2010 48,166 sq m according to DTZ, a 11% decrease compare to Q3 2009. New tenants are interested by smaller area. The average deal size was 468 sq m and the share of transaction involving less than 500 sq m increased further to 79%.

The vacancy rate was 21.6% in Q3 2010 a 90 base point increase over the previous quarter due to low occupancy rate of the completed projects and low net take-up level (46% of renewals in Q3 2010). Váci út corridor still had the lowest vacancy rate of 15.5% at the end of Q3 2010.

Prime office rents are currently at a level of €14-15 per sq m and per month. Due to difficult market conditions, landlords are likely to offer incentives for both existing and new tenants in order to keep nominal rents at the same level.

Berlin Office Market

In the second quarter of 2010 the German economy picked up speed remarkably. Compared to the first quarter GDP rose by 2.2% –the highest value in the last 20 years. All major sectors of the German export industry profited from the growing demand abroad. The export surplus contributed 0.8 percentage points to the growth. Private consumption expenditure increased by 0.6% compared to the first quarter, whilst state expenditure rose by 0.4%. However, expected growth of GDP on the

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foreseeable future is expected to be lower due to the weakening of the international economy. Uncertainties remain over the strength of the domestic demand.

Berlin mirrors the economic evolution of Germany in 2010 but according to DTZ should show an increase of 2.5% of its GDP in 2011 (VS 1.0% in 2010). The main growth drivers in the current year are the manufacturing industries and business services as well as education and health. Nevertheless, unemployment rate will remain high (14.4% in 2010).

Demand for office space is stable with 98,000 sq m contracted in Q3 2010 (93,000 sq m in Q2 2010). Total aggregated take-up is expected to reach 400,000 sq m over the year 2010 (DTZ estimate).

Large office space contracts remain the exception. Only three deals with a minimum of 3,000 sq m are recorded. Demand in Berlin is clearly focused on small and medium spaces as fewer major companies have established their central offices in Berlin than in any other economic centers in Germany according to DTZ. Between January and the end of September 2010, the average size of newly-leased space was approximately 650 sq m.

67% (or 202,300 sq m) of the entire take up between January and September 2010 are in the Central office locations of Berlin where supply of office space is extensive and comprehensive.

Achieved prime rents are stable at a level of EUR 21/sq m/month meanwhile weighted average rent are still low at a level of EUR 11.85. DTZ points out that the volume of contract with a rent of at least 17.50/sq m/month is increasing quarter after quarter : from just under 9,000 sq m in the first quarter and 10,000 sq m in the second quarter to about 11,000 sq m in the third quarter. This shows that an entrepreneur base is establishing itself in Berlin which is willing to lease high-quality spaces and accept the associated rents.

In total 1.525 million sq m is available for let at short notice inducing a vacancy rate in Berlin of 8.5% which compares well with other economic center such as Munich (9.9%) or Frankfurt (14.2%). Development pipeline is limited. Over the year 2010, only 135,000 sq m of new office spaces will be completed and added to a total current stock of 17.7 Million sq m. The existing vacancies are restraining any speculative construction activity. In this context DTZ anticipates a slight decrease of vacancies over 2011 and 2012.

			RENTS		YIELDS
Country	City	Local rent & currency	Prime Rent monthly	Change on quarter (%)	Prime Yield %
OFFICE					
Czech Republic	Prague	€/s qm	21,00	0,00	7,00
Germany	Berlin	€/s qm	20,00	0,00	5,20
Hungary	Budapes	€/s qm	20,00	0,00	7,25
Poland	Warsaw	€/s qm	22,00	-4,35	7,00
Russian Federation	Moscow	\$/s qm	66,66	-8,57	9,50
RETAIL					
Czech Republic	Prague	€/s qm	150,00	-11,76	7,00
Germany	Berlin	€/s qm	220,00	-10,20	4,60
Hungary	Budapes	€/s qm	100,00	11,11	7,00
Poland	Warsaw	€/s qm	90,00	12,50	6,50
Russian Federation	Moscow	\$/s qm	333,33	-48,51	11,00
INDUSTRIAL					
Czech Republic	Prague	€/s qm	4,25	-10,53	7,00
Germany	Berlin	€/s qm	4,50	-2,17	7,50
Hungary	Budapes	€/s qm	5,00	11,11	9,00
Poland	Warsaw	€/s qm	5,50	10,00	8,50
Russian Federation	Moscow	\$/s qm	9,58	15,42	12,00

Source: CBRE, JLL

Hospitality

Market Highlight CEE

Occupancy shows steady growth in all market expects Bratislava with a strong and stable recovery of occupancy. On the other hand, ADR in all cities decrease during Q3. This is believed to be linked to the summer month and leisure tourism. In Moscow the decrease in ADR is partly due to new supply with over 1390 new rooms into the luxury segment, this led to a rate war during Q3, we believed the new supply would continue to affect the market until the Q2 2011 in term of rate.

3.3.2. CEE Development markets as of September 2010

Czech Republic

A Current Market overview

Although hard data from Czech Statistics Office is not available yet, average apartment price probably kept declining in 3Q.

On the other hand, the mortgage market has seen a clearly positive development. Mortgage rates continued rapid decline (1 percentage point in less than a year). In 3Q mortgage volume has finally grown year over year.

Sales volume also appears to have started rising slowly again although one needs to be cautious with respect to the source of the data (Ekospol).

Despite moderately growing mortgage and sales volumes there is still a lot of supply. According to Ekospol, stock of completed unsold units slightly rose in 3Q. However, number of units started fell dramatically in 3Q, which should limit supply down the road.

B. Trend and outlook (12 – 18 months)

Developers will be forced to implement an even more aggressive discount scheme to assuage the banks and replenish internal coffers to enable start of future developments which they will need to begin in order to survive. 2011 will see the final depletions of the stock on the market, therefore, without beginning new developments they will have no future revenue forecasts for 2012 and beyond.

Off-plan sales will somewhat increase, but at levels that will not impress developers which allows for a catch22 situation and the public consumer is fully aware of this.

Developers will be forced to offer in house funding for deposits and even more unique and creative ways to finance the buyer's purchase to influence them into the purchase.

Developers will need to react quickly when offers are made in pricing negotiation as the public consumer is fully aware and educated of every offer that currently exists on the market.

Banks will slowly begin to offer higher percentage LTV's, but the flip side will be that the interest rates will increase on any LTV above 80/20.

Refinancing will become a household term and new lenders will target this sector to meet the needs of the consumer market who appreciates carrying debt.

Slovakia

A. Current Market overview

While overall property prices in Bratislava decreased by about 15% from the peak, discounts on finished luxury development projects have reached about 30 – 40%.

After reaching the bottom, prices have a slightly increasing tendency.

The demand for luxury apartments is starting to slightly increase due to massive sale discounts.

Decreasing interest rates encourage demand, especially for smaller and existing (as opposed to planned) apartment units.

Smaller-scale projects with one- or two-bedroom apartments up to 75 sqm seem to be the best option for the developers now.

B. Trend and outlook (12 – 18 months)

Decrease of mortgage rates is considered to be the most important factor in the price development by the end of the year 2010.

It is likely that there will be a slight increase in property prices in the last quarter of the year. However, experts do not expect another price boom like the one prior to the crisis.

According to experts, potential for gradual price increase could develop in the Bratislava region

Due to the fact, that the buying ability is not increasing, the developers will opt to build lower-end projects with smaller apartment units.

Poland

A. Current Market overview

Increasing industrial production and retail sales combined with very positive GDP (1,8% in 2009, 3% expected in 2010) are bringing confidence to the market (Jones Lang LaSalle)

Increased demand in Q3 2010 in popular residential segment is due to decreasing cost of financing (incl. decreasing margins for mortgages, banks' special promotions)

There is a substantial quantity of unsold stock on the market and new projects launched are highly competitive due to lower prices resulting from lower construction costs.

New market rules like recommendation T* and changes in VAT brings uncertainty in demand forecast for 2H2010.

New developments have been emerging (by 61% more units were started between Jan-Sept 2010 comparing to same period in 2009) not only by experienced developers but also new residential developers who start their schemes with low construction costs and therefore create a highly competitive offer on the market. (REAS)

In major Polish cities market supply remains at unchanged level due to stable sales and decreased deliveries of new flats by developers (by 26,8% less units delivered in Jan-Sept 2010 than in corresponding period 2009) (REAS).

B.Trend and Outlook (12-18 months)

Demand in 2011 is expected to grow. Despite restriction in mortgages access (T recommendation-second part implementation) and VAT increase (from 7% to 8% and 23% for units above 150 sqm) starting from 2011 the popular market will remain mainly under positive influence of banks declaring increase in mortgage sales (lower margins) and attractive price offers in newly started developments.

Upper standard apartments market has been suffering major sales decline with small perspectives for improvement due to bank restrictions on high value mortgages and planned VAT increases.

On the other hand developers redefine their new offers - the average size of newly built flats has been decreasing due to bank restrictions in providing financing to developers. In 6-12 months there might be a limited offer of luxury units above 100-150 sqm.

In 2011 growth of prices is not expected due to rising volume of new developments causing supply exceed demand in the long run. (REAS).

3.3.3. Business update on residential development

For the last quarter of 2010 and over 2011, residential demand in the Czech Republic and Slovakia is expected to increase slightly although prices could fall further. The market in Warsaw seems to have bottomed out, with sales picking up and prices starting to increase. In 2011, demand in Poland is

expected to grow under the positive influence of banks increase in mortgage granted at lower margins. Meanwhile in the Czech Republic access to credit remains difficult and this will bring developers to compete in offering buyers creative ways to finance their investments. Sales in Slovakia should also ultimately benefit from a decrease in mortgage rate.

Focus on Złota 44

In October 2010 the Governor of the Mazovian Voivodship has confirmed the validity and effectiveness of the building permit for the Złota 44 apartment project in the center of Warsaw. Following this decision, the Group has finalized the appointment of the general contractor, construction works were scheduled to restart in January 2011. The arrival of a 40-meter crane on 18 January 2011 is an undeniable proof of re-launch of works on the development of a luxurious apartment house at Złota 44 in downtown Warsaw. The global construction costs following the new tender have decreased by 19% compared to the previous contract. Negotiations on extension of the existing loan facility are at a final stage. Sales have been reopened in December 2010 at the same prices as in 2008. At the end of October 2010, the project was 35% pre-sold. While the one year long unfortunate administrative and legal delays have made it difficult, Orco will do its utmost to complete the project as shell and core for the EURO 2012 which will take place in Poland.

3.3.4. Business update on commercial developments

Vaci 1

The Vaci 1 department store project, or the former Budapest Stock Exchange Building located on the main highstreet square of Budapest, with an entire area of 22,737 sqm GFA and 11,378 sqm GLA, is now structurally completed. The planned delivery of this retail emporium is expected to occur in the autumn of 2011. The project is currently 60% pre-leased or under advanced negotiations with internationally renowned retail chains and brands. As part of the signed agreements, a total area of 1,215 sqm was already pre-let to restaurant operators and other tenants providing catering services.

Bubny

During the third quarter of 2010, the Prague 7 administration importantly gave its greenlight to Orco proposed zoning changes. The project team is expected to submit shortly an application for the change to the City of Prague master plan. The approval of the master plan change is expected in 2011, while the first phase of construction works is planned for 2013. The whole development will take up to 20 years and the total investment will reach thirty to fifty billion Czech crowns. In line with its development strategy for Bubny, Orco already signed a memorandum of understanding for joint venture agreement with ECE (major German retail developer) for the development of a retail center. More such partnerships with private or public organizations are currently under negotiations.

Leipziger Platz

The land plot at Leipziger Platz embodies the last undeveloped piece of land at the gateway between east and west in the very centre of Berlin, in the immediate vicinity of the Brandenburg Gate. Orco Germany Group, held at 59% by the Company, owns this 2ha site since 2007, when it was purchased for EUR 75.0 Million. In November 2010, ORCO Germany S.A. confirmed that it would sell the project to High Gain House Investments GmbH (HGHI), a local developer, while co-developing the plot into a mixed project made of a shopping centre, offices and residential units for a total of 72,600 sqm NLA. The total development costs are estimated at EUR 403-410 Million. A majority of the commercial space has already been pre-leased. Construction works could begin as early as year end. Commercial development sales over the last quarter of 2010 and in 2011 will mainly be influenced by the potential sales of Sky Office and Vysocany Gate.

3.3.5. Asset disposal

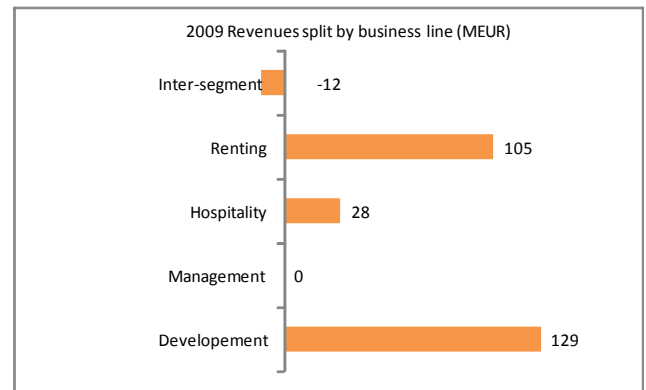
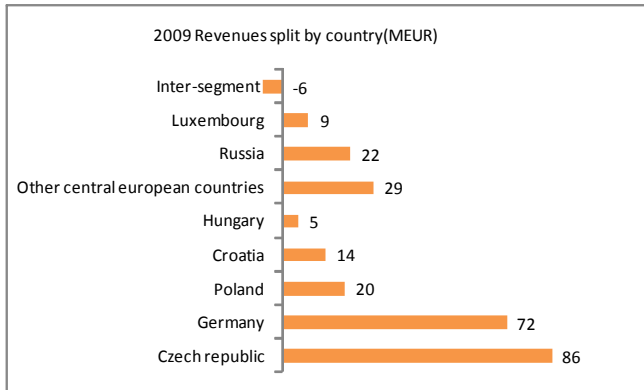
After publication of Q3 2010 results, Orco Property Group publish on 7th December 2010a press realease regarding the disposal of 3 assets sold in Prague for a total amount of EUR 30.7 Million:

- North East Corner: a 10,000 sqm of land for commercial development sold to Skanska Property for EUR 8.1 Million. This disposal is in line with our strategy sold.
- Vysočany Gate: a 12,000 sqm Class A office in Prague 9, sold to Skanska Property at a value of EUR 20 Million.
- Jeremiášova: a fully leased 2,500 sqm office building, , sold for EUR 2.6 Million.

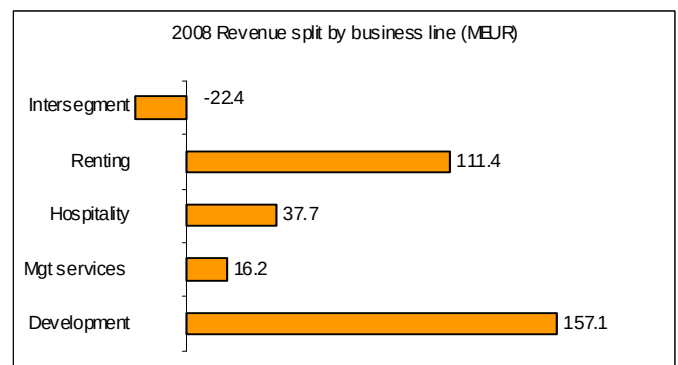
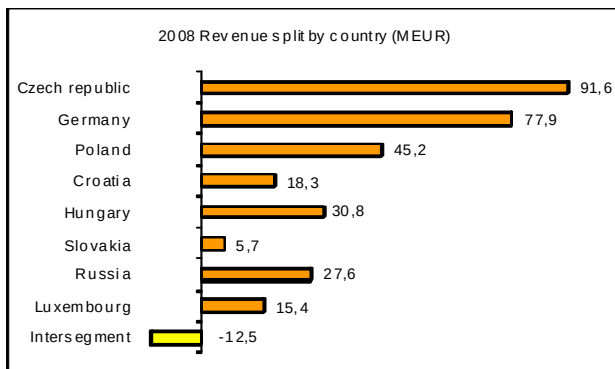
Furthermore the Group signed in November 2010 a sale contract for two buildings in Budapest for an amount of EUR 15 Million.

3.4. Revenues by business line and geographic segment

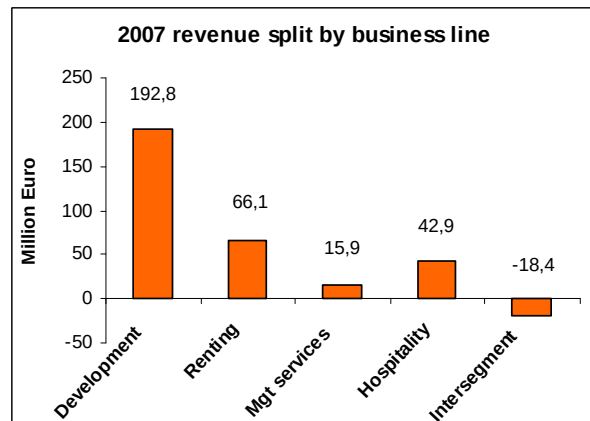
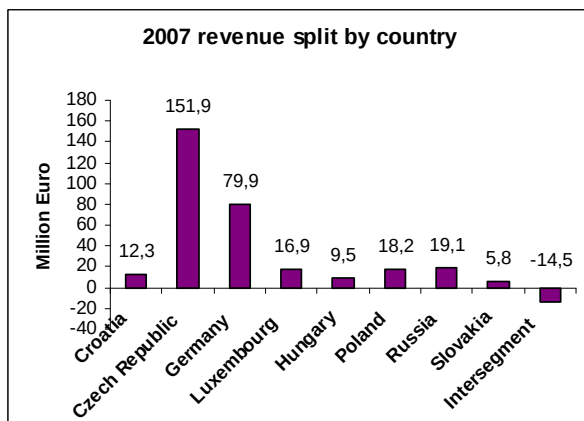
As of December 2009:



As of December 2008:



As of December 2007:



3.5. Business overview as of December 2008

2008 ended with a consolidated loss of EUR -390.5 Million compared to a consolidated profit of EUR 87.5 Million as at 31 December 2007. During the same period the share price went down 92 % from EUR 81.53 to EUR 6.47 following the stock market trend.

Sales increased by EUR 0.7 Million to reach EUR 299.9 Million due to both renting and development activities increases.

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Decrease of the fair value revaluation recognised in our consolidated financial statements amounted to EUR -217 Million compared to a profit of EUR 147 Million in 2007. The main contributors were GSG (EUR 28.1 Million), Haus Cumberland (EUR -37.0 Million), Bubny (EUR -25.7 Million), Radio Free Europe (EUR -18.8 Million), Budapest Bank (EUR -14.7 Million) and Mostecka (EUR -12.5 Million).

In the first half of 2008, Orco Property Group continued its acquisitions but to a smaller degree than in 2007 (EUR 891 Million in 2007). The most important acquisitions are listed below:

Buildings & Land Bank	Country	Investment (€ million)
Buildings		12,7
Hüttendorf	Germany	7,9
Hakeburg	Germany	3,4
Hochwald	Germany	1,4
Land Bank		38,7
Gethsemanestrasse	Germany	2,9
Nupaky	Czech Republic	6,4
OBI Decin	Czech Republic	2,2
Obonjan Rivijera	Croatia	2,2
new plot in Krakow	Poland	7,6
new plot in Kaluga	Russia	17,4
TOTAL		51,4

The portfolio valuation as at 31 December 2008 amounted to EUR 2,201 Million vs EUR 2,471 Million in 2007. Only properties classified as investment properties are accounted for at their fair value in the consolidated financial statements. The hotels, properties under development and developments to be sold in the ordinary course of business are accounted at amortised cost less impairments.

As at 31 December 2008, the long term debt (> 5 years) amounted to EUR 385 Million (EUR 455 Million in 2007) and the short term debt (< 5 years) to EUR 1,181 Million (EUR 1,025 Million in 2007). The total debt grew from EUR 1,480 Million to EUR 1,566 Million.

The Net Asset Value (as defined below) decreased from EUR 91.7 EUR to EUR 42.6 per share taking into account the year-end valuations of all the rental portfolio and developments.

In MEUR	December 2008	December 2007
Consolidated equity	304,633	736,012
Fair value adjustments on invest. Portfolio	374	6,483
Fair value adjustments on retail Pipeline	11,708	3,575
Fair value adjustments on resid. Pipeline	18,516	56,916
Fair value adjustments on com. & office Pipeline	-32,532	11,488
Fair value adjustments on hotels	45,944	23,148
Deferred taxes on revaluations	141,356	164,077
Goodwills	-29,305	-36,109
Own equity instruments	4,190	27,800
Net asset value	464,884	993,390
Net asset value per share	42.48	91.67
Existing shares	10,944	10,837

Definitions:

Consolidated equity: total consolidated equity after deduction of the minority interests as shown in the consolidated balance sheet.

Fair value adjustments: difference between the net book value and the fair market value of the properties and developments that are carried at amortised cost after impairments in the consolidated financial statements. The investment properties are the only non financial assets to be booked at fair value in the consolidated balance sheet (see note 8 of the 2008 consolidated financial statements).

Deferred taxes on revaluations: Group share in the deferred taxes recognised in the accounts that the Group will not pay in case of share deals, on the investment property or on properties that used to be recognised as such before reclassification (for instance to inventories after being classified as land bank).

Own equity instruments: own shares and warrants of Orco Property Group S.A. and Orco Germany S.A., deducted from the consolidated equity.

3. 6. Business overview as of December 2007

2007 ends with a consolidated profit of EUR 87.5 Million compared to EUR 96.7 Million as at 31.12.06. During the same period the share price went down 20.46 % from EUR 102.50 to EUR 81.53 following the stock market trend.

Sales went up 73 % to end up at EUR 299.2 Million thanks to both renting and development activities increases.

Revaluation profits recognized in our accounts amount to EUR 147 Million compared to EUR 146 Million in 2006. The main contributors are GSG (EUR 28.2 Million), Leipziger Platz (EUR 19.5 Million), Haus Cumberland (EUR 16.2 Million), Bubny (EUR 7.9 Million) and Na Porici (EUR 3 Million).

The company also started this year with an active asset management policy leading to a few disposals of assets/participations among which:

25% of four residential projects (Praga – Zlota – Szczecin, and Josefoslav) initiating EUR 6.2 Million profit and EUR 23 Million cash;

50% of part of the hospitality portfolio, EUR 18.6 Million profit and EUR 50 Million cash

Pier Eins building sale in Germany, EUR 2.4 Million profit

In 2007 Orco continued on the same trend of acquisitions as in 2006, the most important acquisitions are listed below:

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Buildings & land bank	Country	Investment (€ Million)
Buildings		719.7
GSG	Germany	378.0
Molcom	Russia	92.0
Gebauer Höfe	Germany	42.9
Orco House	Luxembourg	31.2
Mostecka	Czech Republic	21.0
Hradcanska	Czech Republic	21.2
City Gate	Slovakia	21.0
Dunaj	Slovakia	18.9
Other buildings	All countries	93.5
Land bank		171.0
Wertheim	Germany	78.9
Otrada	Russia	41.3
Origo	Hungary	9.2
Other land bank	All countries	41.6
Total		890.7

These acquisitions have mainly been financed by the capital increase of Orco Property Group and the bonds issued by Orco Property Group and Orco Germany. The newly issued shares (2,447,148) were generated by the capital increase (1,500,000 shares), by the exercise of stock options (294,000 shares), by the reinvestment of dividends (36,834 shares), by the conversion of bonds (257,027 shares) and by the issue free shares (359,287) linked to the exchange of 2012 warrants in 2014 warrants. Two bonds with warrants were issued, i.e. a EUR 175 Million bond with warrants issued by Orco Property Group (2007-2014 – 2.5%) and a EUR 100 Million bond with warrants issued by Orco Germany (2007-2012 - 4%).

The portfolio valuation on 31st December 2007 amounts to EUR 2,400 Million vs EUR 1,300 Million in 2006. Only properties classified as investment property are accounted for at their fair value in the consolidated accounts; the hotels, properties under development and developments to be sold in the ordinary course of business are accounted for at amortized cost less impairments.

As at December 2007, the long term debt (> 5 years) amounts to EUR 455 Million (vs EUR 295 Million in 2006) and the short term debt (< 5 years) amounts to EUR 1,025 Million (vs EUR 356 Million in 2006). The total amount of debt grew from EUR 651 Million to EUR 1,480 Million.

Based on the real estate approach, the NAV grew from EUR 77.9 to EUR 91.7 /share taking into account the year end valuation of all the real estate assets.

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In MEUR

December

2007

Consolidated equity **736 012**

Fair value adjustments on invest. Portfolio	6 483
Fair value adjustments on retail Pipeline	3 575
Fair value adjustments on resid. Pipeline	56 916
Fair value adjustments on com. & office Pipeline	11 488
Fair value adjustments on hotels	23 148
Deferred taxes on revaluations	164 077
Goodwills	-36 109
Own equity instruments	27 800

Net asset value **993 390**

Net asset value per share	91,67
Existing shares	10 837

Definitions :

Shareholders' equity : total consolidated equity after deduction of the minority interests as shown in the consolidated balance sheet.

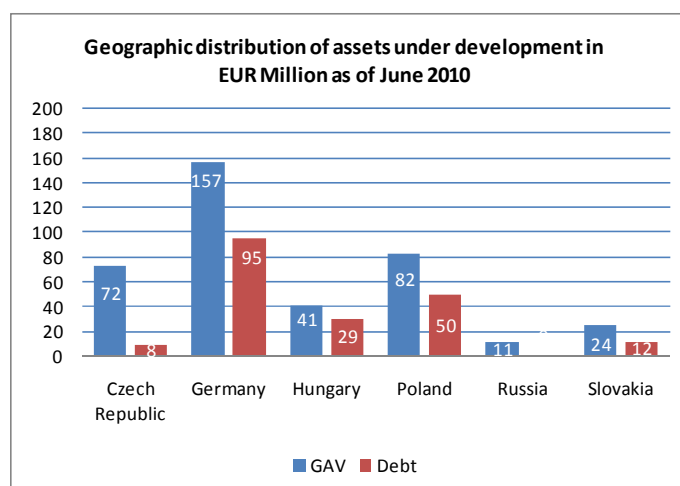
Fair value adjustments : difference between the net book value and the fair market value of the properties and developments that are carried at amortized cost after impairments in the consolidated accounts. Only the investment property (see note 8 of the 2007 consolidated financial statements) are carried at fair value in the consolidated balance sheet.

Deferred taxes : Group share in the deferred taxes recognized in the accounts on the investment property or on properties that used to be recognized as such before reclassification (for instance to inventories in the case of land bank) that the Group will not pay in case of share deals.

Own equity instruments: corresponds to the own shares and warrants of Orco Property Group S.A. and Orco Germany S.A. deducted from the consolidated equity.

3.7. Ongoing investments

As of September 2010, ongoing constructions and finalized developments in inventories amount to EUR 387 Million of assets financed partially through bank loans amounting to EUR 194 Million.



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As of the date of publication of this documents, we can count 3 projects which have construction works in progress as it can be seen here below:

Project name	City	Completion	Remaining Development Cost EUR Million 06/2010
Mostecka	Prague	Q1 2011	3,4
Benice 1	Prague	Q1 2011	2,7
Vaci 1	Budapest	Q3 2011	18,8
Total			24,8

Regarding the iconic project Zlota 44, 3 general contractors have been short listed to undertake the restart of construction works and completion of this luxury high rise residential tower located in the heart of Warsaw. Their tender are all comprised between EUR 91.2 and 92.3 Million. The winner should known in the beginning of 2011.

Chapter 4 Operating and financial review

4.1. Results as of September 2010

4.1.1. Unaudited Profit and Loss Statement

Revenues increased by 22% to EUR 228.2 Million from EUR 186.8 Million over the same period in 2009. This increase by EUR 41.4 Million is explained by the sale of some major commercial projects. Operating result excluding any valuation adjustments, amortization, impairments and provisions improves from EUR 10.8 Million as of September 2009 to EUR 35.7 Million as of September 2010.

Revenues for the quarter increased by 20% from EUR 54.5 Million over Q3 2009 to EUR 65.2 Million over Q3 2010. The operating results for the quarter excluding any valuation adjustments, amortization, impairments and provisions reached EUR 16.3 Million in Q3 2010 compared to EUR 11.8 Million in Q3 2009.

A. Revenues by segment

Development revenues increased by EUR 46.9 Million as a result of the sale of German commercial developments while Asset Management revenues decreased by EUR 5.5 Million.

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in EUR Million	Development	Asset Management	TOTAL
30 September 2010	127,1	101,2	228,2
30 September 2009	80,2	106,6	186,8
Variation YoY	46,9	-5,5	41,4
Q3 2010	25,5	39,7	65,2
Q3 2009	10,0	44,5	54,5
Variation YoY	15,5	-4,8	10,6
Q2 2010	79,2	32,4	111,6
Variation QoQ	-53,7	7,3	111,6

a. Development business line

▪ **Residential developments**

The residential development sales have decreased from EUR 42.1 million over the first nine months of 2009 to EUR 38.2 Million in 2010. Over the first nine months of 2010, 235 units have been delivered compared to 306 over the same period in 2009. In 2010, the Company is mainly selling units finalized over the previous periods.

Besides the volatility inherent to quarterly development deliveries and the group strategic decision of refocusing residential developments on the capital cities of Prague and Warsaw, this drop in sales reflects both the difficult market conditions in the Czech Republic and Slovakia, and the absence of new developments launch over the past 2.5 years.

Over Q3 2010, the main developments contributing to the revenues are Malborska for EUR 15.9 Million and Drawska for EUR 4.7 Million in Poland, Kosic for EUR 3.9 Million, Nove Dvory for EUR 2.3 Million and Benice for EUR 2.1 Million in the Czech Republic.

The backlog on projects either finalized or under construction amounts to 734 units including an order backlog (units covered by a future purchase or a reservation contract) of 154 units:

- 247 units in the Czech Republic including an order backlog of 20 units,
- 428 units (incl. 251 units in Zlota 44) in Poland including an order backlog of 124 units,
- 59 units in Slovakia including an order backlog of 10 units.

As of September 2010, the inventories include 390 completed residential units (Poland 177 units, Czech Republic 154 units, Slovakia 59 units), in total value of EUR 70.9 million with a remaining bank debt of EUR 18.1 million.

▪ **Commercial developments**

During the first nine months of 2010, the commercial development revenues reached EUR 88.5 Million compared to EUR 6.1 Million over the same period in 2009. In 2010, those revenues mainly included the projects sales of H2 Office in Duisburg for EUR 32.8 Million, the 4 German health care assets for EUR 40.2 Million, the Peugeot showroom in Warsaw for EUR 3.9 Million and a logistic asset in the Czech Republic for EUR 4.8 Million. Over the first nine months of 2010, the revenues include EUR 6.8 Million of rents (mainly Sky Office for EUR 4.1 Million) on unsold developments in inventory.

During the third quarter the commercial development revenues reached EUR 16.8 Million mainly with the delivery of Danzigerstrasse, the fourth health care asset in Berlin, Rudna in Prague and Peugeot Showroom in Warsaw.

Commercial development sales over the last quarter of 2010 and in 2011 will mainly be influenced by the potential sales of Sky Office and Vysocany Gate.

b. Asset Management business line

Revenues from the asset management business line include revenues from asset rental, hospitality and asset management (Endurance Fund). During the first nine months of 2010, the revenues generated by this business line reached EUR 101.2 Million (EUR 106.6 Million as of September 2009).

▪ Rental and asset management

Rental and asset management revenues have been decreasing year on year from EUR 82.6 Million in September 2009 to EUR 74.1 Million as of September 2010. This variance is mainly the consequence of EUR 6.8 Million drop in asset management revenues, from EUR 10.8 Million to EUR 4.0 Million. Rental revenues decreased by EUR 1.6 Million from EUR 71.7 Million to EUR 70.1 Million. The negative variance in rental revenues year over year is essentially due to:

- A decrease of EUR 1.8 Million related to assets disposals.
- A decrease of EUR 3.2 Million following anchor tenants' departure from former Bubenska, Budapest Bank office building and Stribro Industrial Park.

The negative variance is partially offset by revenue increases such as:

- EUR 1.5 Million generated by three Czech commercial projects delivered end of 2009.
- EUR 2.3 Million generated by commercial assets in Berlin.

As of September 2010, the rental portfolio had a total net leasable area of approximately 1.2 Million sqm. Despite the disposal of several German assets, Germany still represents 71% of the total Group net leasable area.

The occupancy rate of the rental portfolio reached 73.8% as of September 2010 compared to 75.8% as at June 2010. This decrease in occupancy was driven by lease contracts terminated in July 2010 by tenants of commercial assets in Stribro and in Budapest (former Budapest Bank building), leading to nearly zero occupancy rate on these assets representing 38,698 sqm. Excluding GSG, the occupancy by category amounted to 51.5% of office spaces and 74.4% on logistic areas.

Management expects this quarter to be a bottom in rental revenue over Central and Eastern Europe as the take-up has started rebounding in the region and several assets have strong leasing potential. Occupancy rates are steadily increasing with new contracts signed or under negotiation on Molcom, Bubenska, Na Porici, Hradcanska and Paris Department Store.

GSG portfolio in Berlin, with a total net leasable area of 0.8 Million sqm, contributed with EUR 12.2 Million revenue during the third quarter of 2010. Its occupancy rate increased to 77.2% compared to 77.1% as at June 2010, while the average net rent remained stable at EUR 4.8 per sqm.

Molcom revenue contribution over the period remained stable (EUR 14.6 Million in 2010 compared to EUR 14.3 Million last year). The positive variance of EUR 0.3 Million results from currency differences. The occupancy increased from 68.5% to 75.8% quarter over quarter as some of the newly signed lease-agreements became effective.

▪ Hospitality

The positive trend of the second quarter continued to influence the results of the CEE portfolio over Q3 2010. Average occupancy for September year to date reached 68% (60% last year) and ADR amounted to EUR 90.8 (same as last year). Revenues at EUR 11.3 Million increased by 7% compared to last year. Overall in the markets we operate in, occupancy showed a steady growth with the

exception of Bratislava. The recovery of occupancy seems now steady, while ADR in all cities decreased during Q3 2010, a normal trend in relation to the summer months occupied by leisure tourism. In Moscow, the decrease in ADR in Q3 2010 is also due to new supply with over 1,390 new rooms into the luxury segment. This new supply is expected to continue to affect the market until the Q2 2011 in terms of rate.

Regarding the Suncani Hvar resort portfolio in Croatia, revenue as of September 2010 increased by 17% to reach EUR 14.6 Million compared to EUR 12.5 Million the year before. This increase in revenue is due to the new strategy in food and beverage, an increase of occupancy from 55% over the first nine month 2009 to 57%, and increased inventories. ADR on the other hand decreased by 4% due to the decision to open additional “budget” non refurbished hotel rooms during high season, a 10% increase of the number of bedrooms.

A. Adjusted EBITDA

The adjusted EBITDA amounts to EUR 38.8 Million compared to EUR 23.3 Million as of September 2009 representing an increase of 46%. Over Q3, the Adjusted EBITDA amounted to EUR 17.4 Million compared to EUR 13.3 Million over Q2 2010, mainly as a result of the summer seasonal impact of Suncani Hvar. The restructuring plans implemented are still improving the operational performance reducing employee benefits and other operating expenses by 9%, year on year. The Adjusted EBITDA margin reached 17.0% over the first nine months of 2010 compared 12.5% over the same period in 2009.

In EUR Thousand	Development	Asset Management	Total 9 months	Development	Asset Management	Total Q3 2010
Operating result	-7 855	59 759	51 904	-3 361	17 495	14 134
Net gain from fair value adjustments on investment property	-104	-26 525	-26 629	5	-5	0
Amortisation, impairments and provisions	5 530	4 938	10 468	1 527	629	2 156
Past valuation on goods sold	3 798	0	3 798	2 176	0	2 176
Net result on disposal of assets	-431	-357	-788	-471	-589	-1 060
Adjusted EBITDA 30 September 2010	938	37 816	38 754	Q3 2010	-124	17 530
Adjusted EBITDA 30 September 2009	-13 240	36 547	23 307	Q3 2009	-6 799	11 915

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

The total amount of operating expenses as of September 2010 is EUR 8.2 Million lower than the amount as of September 2009. The main drivers of this performance are the year on year reduction of operating expenses in CEE asset management activities by EUR 4.4 Million, in Suncani Hvar operations by EUR 2.9 Million, in CEE hospitality by EUR 1.3 Million, in CEE residential development activities by EUR 1.1 Million and in headquarters by EUR 0.7 Million. Those positive impacts are partially offset by the EUR 1.6 Million increase of the operating expenses of the German activities due to one-off restructuring costs. Recurring operating expenses are continuing to substantially decrease.

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Amounts in EUR Million	30 September 2010	30 September 2009	Variation in %	Q3 2010	Q2 2010	Variation Q-o-Q in %	Q3 2009	Variation Y-o-Y in %
Employee benefits	-32,4	-35,6	-9%	-11,3	-10,7	5%	-11,7	-3%
Leases and rents	-3,8	-3,5	10%	-1,2	-1,2	-2%	-1,3	-7%
Building maintenance and utilities	-21,8	-23,4	-7%	-5,4	-8,4	-35%	-7,3	-26%
Marketing and representation costs	-3,1	-4,8	-35%	-1,0	-1,4	-25%	-1,7	-40%
Administration costs	-18,4	-19,2	-4%	-6,5	-6,9	-5%	-5,8	13%
Taxes other than income tax	-5,1	-4,9	5%	-1,8	-2,1	-14%	-1,6	16%
Other operating expenses	-0,5	-1,9	-77%	0,1	0,0	NS	0,0	NS
Total	-85,0	-93,2	-9%	-27,2	-30,8	-11%	-29,3	-7%

Operating expenses decreased by 11% quarter-on-quarter. The slight increase in employee benefits recorded in Q3 2010 compared to Q2 2010 is mainly due to the seasonal impact of EUR 0.6 Million in Hvar related to summer employment.

B. Valuation adjustments and impairments

No new valuation adjustments and impairments on real estate assets were recorded over the third quarter.

C. Net gain or loss on the sale of assets

During the first nine months of 2010, EUR 66.7 Million asset sales have been recognized in profit and loss statement, mainly in Germany with Cumberland, Ku-Damm 103, Genestrasse and Brunnenstrasse 27 in Berlin respectively for EUR 28.0 Million, EUR 8.2 Million, EUR 1.7 Million and EUR 1.4 Million, with Helberger in Frankfurt for EUR 11.0 Million, with Wasserstrasse for EUR 8 Million and Max-Planck-Strasse for EUR 5.8 million in the Ruhr Region. These sales generated net accounting profit of EUR 0.8 Million and net cash inflow of EUR 16.2 Million.

During the third quarter EUR 35.3 Million have been recognized in the profit and loss statement mainly in Germany with Cumberland, Max-Planck-Strasse and Brunnenstrasse generating a net accounting profit of EUR 0.2 Million and net cash inflow of EUR 11.3 Million.

Since the beginning of Q4 2010, two additional asset disposals have been contracted in the Czech Republic and Hungary for a total value of EUR 23 Million. Both transactions are expected to be closed by the end of the year at prices above latest DTZ valuation, demonstrating the rebound of the investment market.

D. Financial Result

Out of total of gross interest expenses of EUR 74.8 Million as of September 2010, interests on bonds account for EUR 29.3 Million (EUR 27.5 Million in 2009) out of which:

- EUR 23.4 Million on the Company bonds restructured by the Safeguard plan (EUR 22.0 Million in 2009).
- EUR 5.9 Million on the Orco Germany bond (EUR 5.5 Million in 2009).

As a result of the Safeguard Procedure interests on the Company bonds are no longer accrued separately on the Balance Sheet compared to accruals of EUR 11.2 Million as at September 2009. The interest expenses are increasing the nominal of each bond and are payable as per the schedule available in the Safeguard plan.

The increase of interest expenses is also the consequence of the effective bonds interests methodology and the non capitalization of interests on projects on hold such as Zlota (EUR 2.1

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Million expenses in 2010, EUR 0.2 Million in 2009) or on building offices finalized such as Sky Office (EUR 3.8 Million over 2010, nil in 2009).

The net interest expenses over Q3 2010 amount to EUR 70.8 Million to be compared to a total Adjusted EBITDA of EUR 38.8 Million:

- Bank loan interests on rental properties amount to EUR 21.9 Million with an adjusted EBITDA contribution of EUR 29.9 Million.
- Bank loan interests on hospitality properties amount to EUR 4.8 Million with an adjusted EBITDA contribution of EUR 4.5 Million.
- On hold and finalized projects Bank loan interests at EUR 7.2 Million (mainly German projects sold or to be sold EUR 4.3 Million and Zlota 44 EUR 2.1 Million)
- Interest income amounts to EUR 4.0 Million.

It is a main management priority to both reduce its interest expenses (by for example selling negative cash flow assets) and increase its profitability so as to achieve a full coverage of interests by adjusted EBITDA by 2012.

The financial result shows a profit of EUR 190.3 Million compared to a loss of EUR 76.8 Million over the first nine months of 2009. It relates mainly to the change in the carrying value of liabilities on the bonds following the approval of the Safeguard plan. This arises from the difference between the derecognition of the value of bonds on the date of approval of the Safeguard plan (19 May 2010) amounting to EUR 388.9 Million and of accrued interest thereon amounting to EUR 17.1 Million with the recognition of their new valuation of EUR 135.9 million reduced by the value of the Company owned bonds of EUR 7.0 Million.

4.1.2. Unaudited consolidated interim balance sheet in EUR thousand

Assets		
	September 2010	December 2009
NON-CURRENT ASSETS	1,409,911	1,392,979
Intangible assets	48,377	48,903
Investment property	1,077,397	1,072,304
Property, plant and equipment	249,485	235,677
Hotels and own-occupied buildings	231,365	215,393
Fixtures and fittings and other equipment	18,120	20,284
Financial assets at fair value through profit and loss	31,077	32,353
Deferred tax assets	3,575	3,742
CURRENT ASSETS	527,296	630,554
Inventories	385,598	482,605
Trade receivables	30,918	31,379
Other current assets	51,506	56,347
Derivative instruments	12	2,695
Current financial assets	314	488
Cash and cash equivalents	58,948	57,040
ASSETS HELD FOR SALE	20,958	48,930
TOTAL	1,958,165	2,072,463
Equity and liabilities		
	September 2010	December 2009
EQUITY	365,834	104,730
Equity attributable to owners of the Company	321,707	56,577
Non controlling interests	44,127	48,153
LIABILITIES	1,592,331	1,967,733
Non-current liabilities	894,040	1,021,463
Bonds	226,938	409,397
Financial debts	530,926	484,634
Provisions & other long term liabilities	16,869	16,918
Derivative instruments	12,982	9,289
Deferred tax liabilities	106,325	101,225
Current liabilities	674,047	894,819
Current bonds	8,231	59,219
Financial debts	466,692	595,776
Trade payables	28,113	33,480
Advance payments	42,468	53,212
Derivative instruments	36,620	44,380
Other current liabilities	91,923	108,752
Liabilities linked to assets held for sale	24,244	51,451
TOTAL	1,958,165	2,072,463

4.1.3. Bank liabilities

As of September 2010, bank debt amounts to EUR 998 Million (vs. EUR 1,044 Million in September 2009), with 77% of the bank loans financing income producing commercial assets. The GSG loan, which represents 30% of the total bank debt, is maturing in June 2012.

During the third quarter of 2010, the bank financing team completed the following:

- Na Poříčí, financed with a EUR 38.6 Million loan; the loan has been extended till January 2012
- Disposals in Germany led to loan repayments in total amount of EUR 30.5 Million
- Bubny, financed with a EUR 28.4 Million loan; the loan has been extended by 2 years until November 2012.

4.1.4. Outlook

Over 2011, the Group expects to achieve revenues between EUR 350 Million and EUR 380 Million including the potential sale of Sky Office building in Düsseldorf.

4.2. 2010 first half figures

4.2.1. Extract of the Management report as of 30 June 2010

a. Gross Asset Value

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

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

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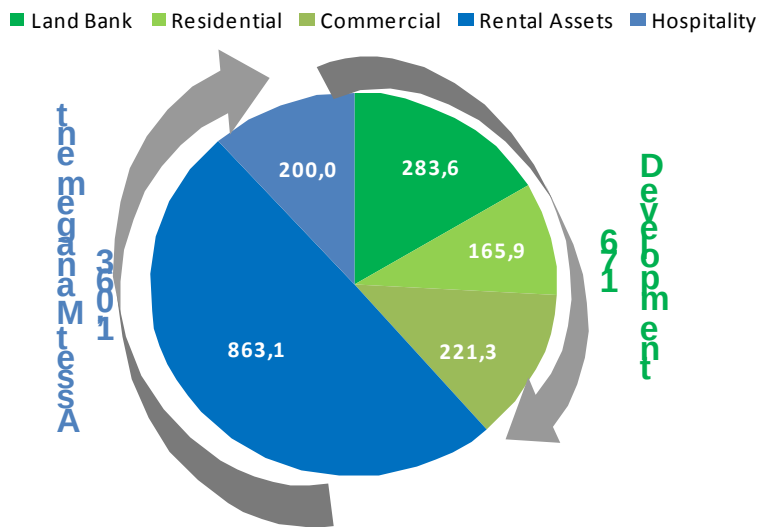
Asset name	Description
GSG portfolio	45 income producing assets located in Berlin
Brunnenstrasse156	Mixed use building located in Berlin
Franklinstrasse 9-15a	Mixed use building located in Berlin
Kudamm 102	Mixed use building located in Berlin
Invalidenstrasse 112	Mixed use building located in Berlin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

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

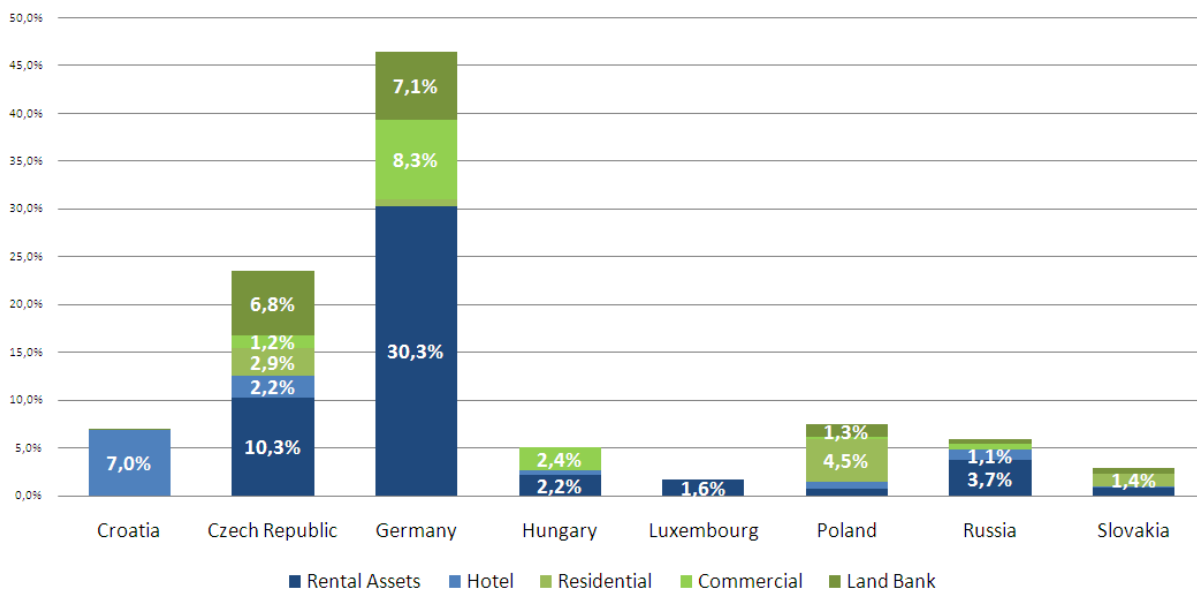
In EUR Thousand	Gav December 2009	Sales	Capex P&L	Capex BS	COGS	Change in value	GAV June 2010
Asset Management	1,040	(31)	0	4	0	50	1,063
Development	775	(0)	3	5	(86)	(26)	671
Total	1,815	(31)	3	9	(86)	24	1,734

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

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



GAV by Activity and Country as of H1 2010



b. Net Asset Value

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

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

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

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

Orco historic NAV Methodology:

The net asset value as a consequence of the definition below is calculated as follows:

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

Finally, only the part attributable to owners of the Company is retained.

The Net Asset Value is calculated on a group share basis starting from the IFRS consolidated balance sheet values (see the balance sheet and the variation thereon reported in the IFRS consolidated financial statements) with adjustments:

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

Triple net NAV Methodology:

The triple net NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

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

4.2.2. Extract from the consolidated Interim Financial Information

4.2.2.1 Liabilities and financial profile

Cash and cash equivalents

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

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Loan to value

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

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

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

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

Financial liabilities

The financial debts strongly decrease as a result of the derecognition of the amortized cost of the Company's bonds as at 19 May 2010 and the recognition at fair value of the "Safeguard bonds" at the

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same date (net decrease of EUR -252.9 Million) and the repayment of bank loans upon the sale of assets and developments (EUR -81.5 Million) and other repayments of bank loans (EUR -13.2 Million). This is partially compensated by foreign exchange differences (EUR +8.8 Million), the accrual of actuarial interests (EUR 15.9 Million) and new bank draw downs (EUR 14.4 Millions).

Analysis of maturities of financial debts:

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

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

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

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

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

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

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

4.2.2.2 Financial results over the first half of 2010

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

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

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

Consolidated Income statement

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

Revenues by Business line

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

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

Development business line

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

Residential development

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

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

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

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

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

Commercial developments

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

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

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

Asset Management business line

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

Rental

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

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

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

Hospitality activities

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

Operating expenses and Headcounts

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

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

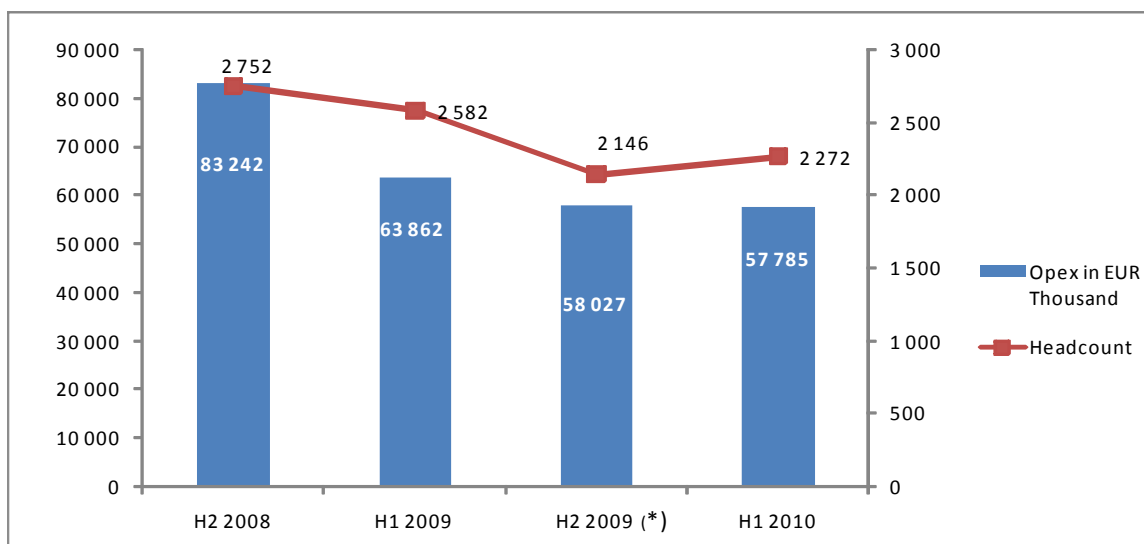
	30 June 2009	30 June 2010	Variation
Employee benefits	-23,884	-21,055	2,830
Leases and rents	-2,168	-2,617	-449
Building maintenance and utilities supplies	-16,118	-16,320	-202
Marketing and representation costs	-3,047	-2,088	959
Administration costs	-13,394	-11,864	1,530
Taxes other than income tax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

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

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

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

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



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

6.1.3 Net gain/ loss on disposal of assets

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

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

Adjusted EBITDA

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

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

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

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

Valuation adjustments and impairments

The net result from fair value adjustments on investment properties as at June 2010 amounts to EUR 26.6 Million (EUR -153.3 Million in June 2009).

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

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

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

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

Financial result

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

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

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

Interests on other loans amount to EUR 30.5 Million:

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

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

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

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

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

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

6.1.7 Income taxes

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

6.1.8 Outlook

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

Balance sheet

in EUR Thousand

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

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in EUR Thousand

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

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Cash flow statement

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

4.3 2009 key figures

4.3.1 Extract of the management report for the financial year ended 2009

a. Real estate portfolio

As of December 2009, on the basis of a review of the real estate portfolio by DTZ, an independent real estate consultancy firm, the portfolio value of the Group has been estimated at EUR 1.815 Billion, relatively stable from EUR 1.833 Billion as of June 2009, down from EUR 2.058 Billion as of December 2008.

Full year relative value analysis: yield driven revaluations on Commercial Investment Properties coupled with valuation method impacts for developments

In Euro 000'	Portfolio valuation December 2008	Transfers	Sales	Investments	Re-evaluation	Portfolio valuation December 2009
Commercial investment properties	1,115	54	(63)	19	(90)	1,035
Development	943	(54)	(120)	148	(137)	780
Total	2,059	-	(184)	167	(227)	1,815

Commercial Investment Properties: the primary cause of revaluation is mainly yield driven, both on the hospitality and rental properties because of the upward movement in yields recorded on all markets. The secondary cause of revaluation is income driven on mainly two buildings (Bubenska and Budapest Bank) the rest of the rental income on the portfolio being stable.

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Development: the revaluation is mainly due to the valuation method applied to development projects. The “Residual Method” puts a discount on uncompleted buildings estimating that a potential buyer would require an additional return for taking over the construction. This has a discounting effect at the early stage of the project whereas the gap narrows with the completion.

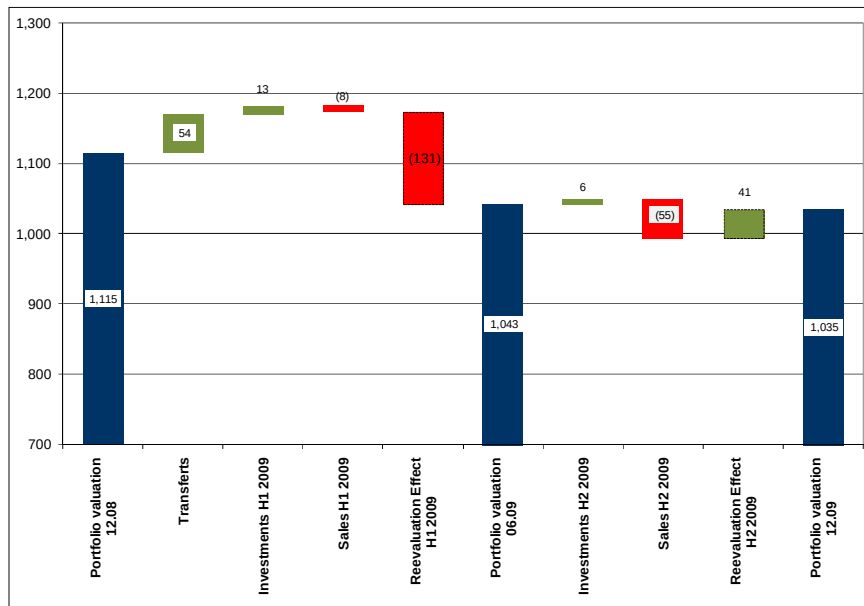
Half-year relative value analysis : high revaluations in the first half followed by positive revaluations due to developments

The situation is contrasted between the two semesters:

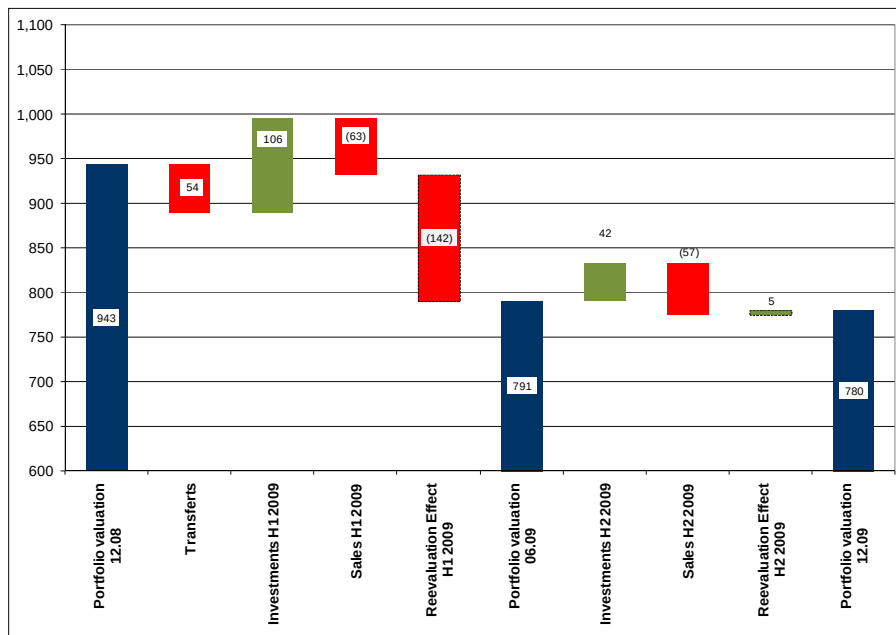
First half of 2009: high revaluation losses due to (i) investments that were not recognized in terms of value on developments, and (ii) upward yield movements that impacted valuations of Commercial Investment Properties.

Second half of 2009: positive consolidated revaluation effects with (i) Commercial Investment Properties continue to be devalued (mainly hotels) but compensated by the transfer of some mature developments, and (ii) developments record moderate positive revaluations due to the completion and the mechanical reverse effect of the discount that had been previously factored in.

Portfolio value build-up December 2008 to December 2009 : Commercial
Investment Properties



Portfolio value build-up December 2008 to December 2009 : Development



Portfolio analysis : Prognosis

Commercial Investment Properties: the continued increase in revenues especially for the GSG portfolio coupled with the yield stabilization in the second half of 2009 advocate for a probable increase in values.

Developments: expected improvements of valuations as a result of the finalization of commercial developments (such as Vaci 1 in Budapest and H2 Office in Duisburg) and restarting of Zlota 44. Moreover, the increase in occupancy rates of Palac Archa in Prague, Sky Office in Düsseldorf and Paris Department Store in Budapest should also contribute to the recovery started in the second half of 2009.

b. Net asset value

Using similar calculation methodologies as in previous years, the Group Net Asset Value per share as of December 2009 is EUR 8.2 compared to EUR 42.5 as of December 2008 and EUR 15.0 as of June 2009. The evolution is mainly the result of the change in the real estate portfolio valuation and the deferred taxes recognized in the balance sheet thereon. The variation in the other balance sheet items is mainly the consequence of the increase of the bank loans financing the projects under construction.

Most publicly traded property investors however do not use the Group's historic methodology and follow the EPRA recommendations. The Company therefore plans to introduce in 2010 the EPRA "Triple Net Asset Value per share" methodology described below. The Management does not make any assessment of the bonds' market value but intends to give the elements for the readers to make their own opinion. With a discount to nominal value of the bonds issued by the Group, the Triple Net Asset Value per share is estimated between EUR 11 and EUR 18.

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	December 2009	June 2009	December 2008
Consolidated equity	56,578	97,618	304,633
Fair value adjustments on investment portfolio	0	0	784
Fair value adjustments on hotels and own occupied buildings	10,562	15,457	46,242
Fair value adjustments on properties under development	0	0	-18,631
Fair value adjustments on inventories	-13,657	10,516	15,615
Deferred taxes on revaluations	58,438	64,539	141,356
Goodwills	-22,748	-24,759	-29,305
Own equity instruments	82	649	4,190
Net asset value	89,255	164,020	464,884
Net asset value per share	8.16	14.99	42.48
Existing shares	10,944	10,944	10,944
Net asset value	89,255		
Effect of dilutive instruments	169,547		
Market value of bonds (50% discount)	231,185		
Triple Net asset value	489,987		
Triple net asset value per share	13.93		
Fully diluted shares	35,165		

Bond discount of nominal	30%	40%	50%	60%	70%	80%
Triple NAV	11.27	12.60	13.93	15.27	16.60	17.93

The debt rescheduling adopted under the Safeguard plan, which implies a discount of the annuities over the period of the plan, is expected to translate into a lower carrying amount of bonds liabilities, therefore reducing the gap between the two NAV calculation methodologies.

The Group's historic NAV methodology:

The net asset value is calculated as follows:

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

The Net Asset Value is calculated on a Group share basis starting from the IFRS consolidated balance sheet values (see the balance sheet and the variation thereon reported in the IFRS consolidated financial statements) with adjustments:

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

Triple net NAV methodology:

The triple net NAV is an EPRA recommended performance indicator.

Starting from the NAV, the following adjustments are taken into consideration:

- Effect to dilutive instruments: financial instruments issued by the Company are taken into account. When they have a dilutive impact on NAV, meaning when the exercise price is lower

than the NAV, the number of shares resulting from the exercise of the dilutive instruments is added to the number of existing shares to obtain the fully diluted number of shares.

- Derivative instruments: the calculation includes the surplus or deficit arising from the mark to market of financial instruments which are economically effective hedges but do not qualify for hedge accounting under IFRS, including related foreign exchange differences.
- Market value of bonds: an estimate of the market of the bonds issued by the Group. It is the difference between Group share in the IFRS carrying value of the bonds and their market value. As at 31 December 2009 the Group share of the bonds' carrying value and accrued interests amount to EUR 465.2 Million.

4.3.2. Audited consolidated financial statements of the Company as of and for the year ended 31 December 2009

a. Consolidated income statement

The consolidated financial year closes with a net loss EUR 250.6 Million compared to a net loss attributable to shareholders of EUR 390.6 Million in 2008. The balance sheet total is fixed at EUR 2,072 Million compared to EUR 2,464 Million in 2008 and the shareholder's equity amounts to EUR 56.6 Million compared to EUR 304.6 Million in 2008.

Turnover

The Company reports EUR 251.5 Million of revenues as of December 2009, representing a 16.1% decrease year on year. Development revenues decreased by EUR 27.6 Million representing a decrease of 17.6% and Commercial Investment Properties revenues by EUR 31.5 Million, a decrease of 19.1% compared to 2008.

The table below illustrates the revenue breakdown by business segment (2008 figure presentation has been changed in order to add the renting, hospitality and management services segments into the Commercial Investment Properties business line, see note 5 of the consolidated financial statements) :

in EUR million	Development	Commercial Investment Properties	Intersegment activities	TOTAL
2009	129,4	133,8	-11,7	251,5
2008	157,1	165,3	-22,4	299,9
Variation	-27,6	-31,5	10,7	-48,4

Development business line

Revenues for the Development business line decreased by 27.6 Million as a result of lower residential sales and the absence of commercial sales while construction works on some properties were finalized in 2009. Excluding sales of two abandoned projects (Fehrbelliner Hofe and City Gate amounting to EUR 28.3 Million), the development business line turnover amounted to EUR 101.1 Million.

Residential development

In 2009, the residential development activity generated EUR 81.2 Million (EUR 128.5 Million in 2008), of which almost 69% was realized in the Czech Republic. Main contributors were Nove Dvory (EUR 10 Million), Plachta III (EUR 8.1 Million) and Kosik 3A (EUR 6.9 Million) in the Czech Republic, last German residential units (EUR 5.9 Million), Mokotowska (EUR 4 Million) and Szafirowa Aleja (EUR 3.5 Million) in Poland and Parkville in Slovakia (EUR 4.4 Million).

Despite the completion over the second half of 2009 of Benice 1A (8 units), Nove Dvory (100 units) and Kosik 3A (117 units for the 50% integrated), the Group has registered a 34% decrease in its units delivered and recognized in revenues in 2009, to 437 units compared to 764 in 2008 (excluding Germany). The backlog on projects either finalized or under construction amounts to 484 units in the Czech Republic out of which 58 are covered by a future purchase or a reservation contract and to 587 units in Poland out of which 223 are covered by a future purchase or a reservation contract. In Germany, there are only a few units left to sell on the residential developments.

Given the drop in market demand across the CEE countries, the Group decided to put on hold several residential projects that were planned to start construction in 2009 (such as Praga, V Mezihori, Vavrenova and U Hranic in the Czech Republic; Drawska 2, Krakow and Szczecin in Poland; and City Gate and Stein in Slovakia, which were sold / planned to be sold).

Among the new projects for 2010 - 2011 validated by the Investment Committee in 2009 are Mostecka project (56 units) and Americka 11 (14 units). Other projects ready to start construction include Mezihori (142 units), Kosik 3b (100 units for the 50% integrated), Vavrenova (86 units) and U Hranic (140 units). They will be presented to the Investment Committee over the coming months depending on demand, rescheduling of specifications and financing availability.

The Group continues to prepare permits demands for new developments to be launched in 2011 and 2012 as soon as the market demand rebounds. Projects include Benice 3, U Hranic, Krakow etc. It is also expected to restart works on the Zlota 44 tower in Warsaw as soon as the building permit is reinstated.

In Germany, there are only a few units left to sell on the residential developments, while the completion of senior residences and office buildings should generate development revenues in the coming 18 months.

Non-residential revenues

Non-residential revenues include sales of commercial buildings (EUR 2.0 Million in 2009 and EUR 11.6 Million in 2008, in Germany for both years), management fees and rents on buildings that are to be redeveloped or on projects where construction works have been finalized and tenants moved in while the building is planned for sale. The Group is currently finalizing construction works and tenant fit out requirements on Sky Office in Dusseldorf, H2 Office in Duisburg, one office building in

Berlin, healthcare projects in Germany and Hradcanska office building in Prague. They are planned to be sold in 2010 for potential with commercial development revenues above EUR 200 Million.

Commercial Investment Properties business line

The Commercial Investment Properties business line achieved revenues of EUR 133.8 Million compared to EUR 165.3 Million in 2008. This decrease of EUR 31.5 Million is the result of a decrease of EUR 19.7 Million in revenues from Group assets excluding hotels, of EUR 9.3 Million in hospitality revenues and of EUR 2.5 Million in Endurance Fund management fees.

Rental activities

The revenues decreased by 13% to EUR 105.4 Million despite no major change in the occupancy rate of the Group rental assets or nominal rent. The drop in revenues of EUR 19.7 Million is mostly due to the absence of revenues from assets sold over the last 18 months and the negative impact of the devaluation of the ruble on Molcom revenues.

In the GSG portfolio in 2009, there were more than 2,000 lease contracts in place which generated EUR 40.9 Million plus EUR 6.7 Million of service charges reinvoiced to clients, showing an increase of 5.1% year on year 2008 (a 0.7% increase compared to H1 2009) and 15.9% year on year 2006. In the meantime, the portfolio occupancy reached 76.2%, up by 6 points since takeover in June 2007 (net take up 50,000 sqm).

Molcom generated a yearly revenue contribution of EUR 18.8 Million, a decrease of 11.7% partly due to the negative impact of the devaluation of the ruble (-4.5% over 2009). Those revenues do not only include rental incomes but also logistic services provided to tenants.

Developments for the rental portfolio have been finalized with the deliveries of 3 commercial projects in 2009: Hradcanska and Palac Archa in the Czech Republic and Paris Department Store in Budapest. Despite the fact that these assets contributed only EUR 1.8 Million of revenues in 2009, the Group estimates their revenue contribution for 2010 to reach EUR 4.4 Million as progress is made on leasing.

Hospitality activities

CEE portfolio's performance in 2009 was below the 2008 results, with occupancy down by 4.6% to 54.8%, while ADR was down 24% to EUR 93.1. Full year results for 2009 were disappointing due to macroeconomic conditions. Operating profit was affected by the decrease of revenues, however, partly protected by the cost containment plan introduced by the asset manager in February 2009.

Although the overall portfolio results considerably dropped, there were regional disparities:

- In Moscow, Pokrovka had a strong 2009 fourth quarter compared to the same period in 2008, which bodes well for 2010 prospects. Pokrovka maintained a high ADR (almost EUR 200) and achieved an occupancy rate above expectations. It recorded a 9% RevPAR growth in the fourth quarter (in local currency) when the competition dropped by 14%.
- In Prague and Budapest, hotels were heavily hit by the economic downturn. Despite a noticeable drop in demand compared to 2008, almost all hotels in the portfolio were ahead of their competitors.
- In Croatia, Suncani Hvar revenues decreased by 20% compared to 2008 affected by the global economic crisis, as Hvar is reliant on foreign tourism that slumped globally during 2009. Occupancy and room rates in 2009 for operating hotels increased compared to 2008 by 2% but decreased compared to 2007 by 2 percentage points. Also costs were reduced by closing some of the non

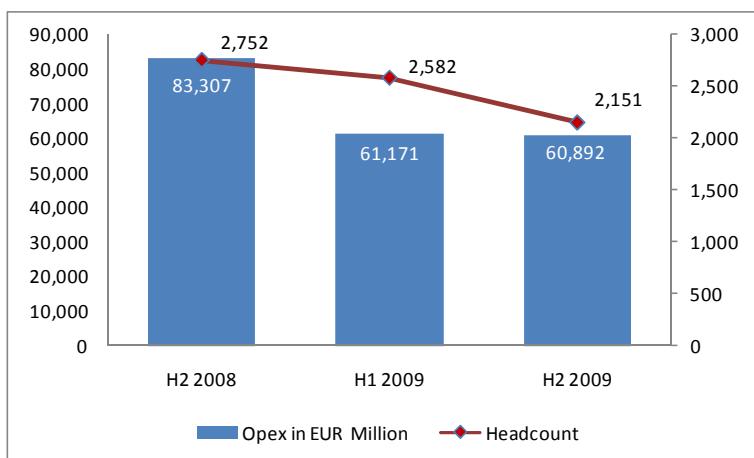
profitable hotels, even during the season. This strategy has led to a decline in revenues but a better operational result before amortization and impairments (EUR -3.1 Million compared to EUR -5.0 Million in 2008). This is the result of improvement in overall cost management. We believe that EBITDA could continue to improve over the next 5 years with strong focus on effective cost and yield management.

Asset Management

The Endurance Fund management fees amounting to EUR 3.9 Million (EUR 6.4 Million in 2008) are lower than the previous year's revenues due to the absence of any acquisition or fund raising activities, leaving mainly the base management fees. These revenues are expected to be stable over 2010.

Operating expenses and headcount

Operating expenses correspond to the sum of the Employee benefits line and the Other operating expenses line of the income statement. Excluding the non cash cost of warrants allocation as restated in the chart below (amounting to EUR 3.5 Million as per the independent valuation at 'fair value'), the operating expenses amount to EUR 122.1 Million compared to EUR 158.6 Million in 2008, a decrease of 23%. This decrease is the consequence of the restructuring plan implemented in 2009 and accelerated under the Safeguard Procedure. The decrease would have been sharper without all the legal and consulting costs specific to the Safeguard Procedure amounting to EUR 3.7 Million.



Net loss on disposal of assets

In 2009 the context was not favorable for disposal of assets at non distressed prices. The Company has been trying to limit the sale of assets to non strategic assets (ie those not fitting the business or geographical strategy of the Group) or those with reduced profitability outlook.

During 2009, assets were sold for a total consideration of EUR 66.6 Million generating a net loss of EUR 0.6 Million and net cash inflow of EUR 30.0 Million (sales of assets and NWDC electric cabling activity). Including the sale of two high risk profile projects (the luxury residential projects Fehrbelliner Hofe in Berlin and City Gate in Bratislava) that have been abandoned and sold, total of asset sales amounts to EUR 95.1 Million and net cash inflow of EUR 35.1 Million. EUR 46.6 Million of total asset sales were achieved in Germany. Also, as part of the restructuring and cost control plan the property management service activities were sold and externalized for a consideration of EUR 0.4 Million.

Adjusted EBITDA

The Group continues its shift towards profitability and cash flow generation. The decrease in revenues was more than compensated by the decrease in operating expenses and cost of goods sold. The adjusted EBITDA amounts to EUR 29.9 Million as at December 2009 showing an increase of 34% compared to EUR 22.3 Million in December 2008 and EUR 11.4 Million in June 2009. The main contributor to this increase is the sharp reduction of Adjusted EBITDA loss of the Development business line. The Commercial Investment Properties business line suffered more from the decrease in revenues of the Endurance Fund management fees and reduced profitability of incoming investment properties that are not stabilized yet.

Overall, the decrease in revenues (excluding the sales of Fehrbelliner Hofe and City Gate) is more than compensated by the cost reduction plan with reduction of cost of goods sold, lower employee benefits decreasing by 17% and other operating expenses decreasing by 23% despite the restructuring costs. The Company continues its shift from a growth oriented model to a profitability oriented one.

In EUR Million	Development	Commercial Investment Properties	TOTAL
Adjusted EBITDA - FY 2008	-18,061	40,392	22,330
Adjusted EBITDA - FY 2009	-4,813	34,668	29,855
Variation	13,248	-5,724	7,525

Valuation adjustments and impairments

The net result from fair value adjustments on investment properties as at December 2009 amounts to EUR -177.6 Million (EUR -217.0 Million in 2008).

The amortization, impairments and provisions amounting to EUR -89.4 Million as at December 2009 compared to EUR -188.5 Million in 2008 include EUR -72.1 Million impairments on properties and development projects (EUR -154.9 Million in 2008). Impairments on buildings under construction are mainly the consequence of the increase of the expected developer's margin taken into account in the valuation model.

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The total of impairments and amortization on real estate assets amounts to EUR -249.7 Million compared to EUR 371.8 Million in 2008. The amount of amortization and impairments recognized on real estate assets over the second half of 2009 were slightly positive with the net amount improving by EUR 2.5 Million. Further decrease in rental asset values were more than compensated by lower impairments on developments with constructions finalized and units sold over the second half of 2009.

In EUR Million	December 09			June 09			December 08		
	Revaluation	Impairment	Total	Revaluation	Impairment	Total	Revaluation	Impairment	Total
Development	-81,288	-33,243	-114,531	-68,222	-66,824	-135,046	-123,286	-73,953	-197,239
Commercial									
Investment Properties	-96,309	-38,895	-135,204	-85,060	-32,053	-117,113	-93,665	-80,937	-174,602
Total	-177,598	-72,138	-249,736	-153,282	-98,878	-252,159	-216,951	-154,890	-371,841

The changes in value are detailed in chapter 7, real estate portfolio valuation and net asset value.

Financial result

The financial result shows a loss of EUR 110.2 Million compared to a loss of EUR 127.6 Million in 2008. Out of a total interest charge of EUR 86.8 Million, interest on bonds account for EUR 37.1 Million (EUR 33.9 Million in 2008) out of which EUR 3.3 Million relates to Orco Germany OBSAR (EUR 2.7 Million in 2008). As a result of the Safeguard Procedure, the accrued interest on OPG bonds amount to EUR 16.3 Million compared to EUR 8.2 Million as of December 2008. The Bonds' interest accounting should be significantly modified in 2010 with the adoption of the Safeguard plan.

The financial loss decreased as a result of the improved foreign exchange result from a loss of EUR 21.2 Million in 2008 to a gain of EUR 4.7 Million in 2009 and the decrease in the other net financial results, partially compensated by the higher net interest expenses increasing by EUR 13.5 Million. This last increase is mainly the consequence of a lower capitalization of interest expenses (EUR 10.5 Million compared to EUR 22.1 Million in 2008) with commercial project construction works being finalized or development being put on hold while global debt on developments increased and some debts were repaid upon sales.

Income taxes

The income taxes have a positive impact of EUR 48.9 Million composed of EUR 8.1 Million of current income tax expenses and EUR 57.0 Million of deferred income tax gains arising essentially from a reversal of deferred tax liabilities after valuation adjustments and impairments on the real estate asset.

b. Financial liabilities

Analysis of maturities

In EUR Million	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
As as 31 December 2009	706.4	18.5	650.8	224.7	1600.4
As as 31 December 2008	309.8	221.4	649.7	384.9	1565.8

Bank liabilities

Bank liabilities amount to EUR 1,114.3 Million as at December 2009 compared to EUR 1,086. Million as at December 2008. The slight increase in financial debt is the consequence of both the further draw downs for the finalization of development works mainly on Sky Office, H2 Office, Palac Archa and Vaci 1 and the increase of the Central European currencies towards the euro.

62% relate to the income producing commercial portfolio, which despite the downward valuations show both growing rental revenues and growing EBITDA. 38% of the bank loans relate to non-income producing land bank and projects under construction. It is a priority of the Group, as developed in the Business Plan, to reduce that ratio by completing development projects and initiating land developments or land sales.

The total amount of debts to be refinanced or repaid upon sale of the assets in 2010 amounts to EUR 706.4 Million (See note 19.3 of the 2009 consolidated financial statements on borrowing maturities). This amount includes EUR 59 Million of Bonds that termed out within the Safeguard plan, EUR 51 Million of loans financing assets that are held for sale and EUR 259 Million of assets and developments that are planned to be sold in the short term. The management is confident in its abilities to further refinance or prolong the remaining EUR 329 Million of debt, in line with its 2009 achievements where 35% of the bank debt was refinanced.

Bond liabilities

Bond liabilities (including accrued interest and embedded derivatives not classified as equity) are recorded in the consolidated financial statements at EUR 511 Million, and not at fair value, at the discounted value at which bonds are traded on the markets.

To the Company's knowledge, there is no or very little liquidity on the Company's Bonds. In March 2010, the weighted average trading price of the 2013 bonds stands at 26% of nominal value, whereas only one deal happened on the 2010 bonds at 25% of nominal value. Nevertheless, it cannot be concluded that 25% of the nominal value is the price at which the Company's Bonds are traded on average as traded volume on the market is very low. The Company has not been provided with over the counter data.

As a result of the rejection by the bondholders of the Management' proposals intending to convert totally or partially the Bonds into equity, a draft Safeguard plan was circulated proposing the term out with an amortization over ten years.

Should the expected debt restructuring be adopted by the Tribunal de Commerce de Paris after the 12 May 2010 hearing, the Bonds will be accounted for in accordance with the rescheduling plan at its net present value over the period, that may significantly reduce their expected recorded value and, as a result significantly improve the global LTV.

c. Cash and cash equivalents

Cash and cash equivalents have decreased by EUR 26.8 Million compared to December 2008. Available cash (see note 17 of the 2009 consolidated financial statements on restricted cash), only decreased by EUR 7.0 Million while investments for finalization of developments were carried on with loan to construction draw downs of around 75%.

d. Loan to value

The calculation of the Loan To Value (LTV) as of December 2009 is shown in the table below:

	December 2009	December 2008	December 2007
Non current liabilities			
Financial debts	484 634	826 483	831 724
Current liabilities			
Financial debts	595 776	298 761	175 216
Current assets			
Current financial assets	-488	-2 190	-11 222
Liabilities held for sale	51 451	-	-
Cash and cash equivalents	-57 040	-83 799	-257 977
Net debt	1 074 333	1 039 256	737 741
Investment property	1 072 304	1 211 718	1 564 947
Hotels and own-occupied buildings	215 393	245 273	294 170
Properties under development	-	99 673	104 369
Financial assets	32 353	70 681	82 182
Inventories	482 605	529 827	323 699
Assets held for sale	48 930	-	-
Revaluation gains on projects and properties	-3 095	44 010	101 610
Fair value of portfolio	1 848 490	2 201 182	2 470 977
Loan to value before bonds	58,1%	47,2%	29,9%
Bonds	468 616	440 512	472 812
Accrued interests on bonds	16 860	7 757	8 662
Loan to value	84,4%	67,6%	49,3%

As of 31 December 2009, the LTV stands at 84.4% compared to 80.1% in June 2009 and 67.6% as of December 2008. The sharp increase of the LTV ratio over 2009 stems from the downward revaluation of asset values reported above, while liabilities slightly increased in nominal terms and were not revalued irrespective of their market value or of the management plans to restructure the Bonds.

This LTV ratio before bonds revaluation is deemed as sustainable by the Management, given the market stabilization of asset valuations and the relatively good revenue stream of the Group's portfolio on the one hand, and the debt restructuring plan on the other hand.

Management expects the LTV ratio to decrease in the future with the debt restructuring and the possible asset value rebound, and will closely monitor this ratio in order to ensure the long term amortization of the Bonds.

4.3.3. Annual statutory financial statements

As of December 2009 the total assets of the Company amount to EUR 568.3 Million compared to EUR 790.2 Million as of December 2008.

The net equity amounts as of December 2009 to EUR 31.7 Million including a loss brought forward of EUR 200.1 Million compared to EUR 249.4 Million as of December 2008.

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The Company reports a loss of EUR 217.7 Million mainly due to EUR 199.5 Million of valuation adjustments as of December 2009, compared to EUR 240.5 Million as of December 2008. The improvement of the net result is also due to the gain on the disposal of investment securities amounting to EUR 3.5 Million and to the decrease of the realized and unrealized loss on foreign exchange related to the interest payables of EUR 17 Million compared to the prior year.

The subscribed share capital of the Company which amounts to EUR 44.9 Million is considered as the corporate capital of the Company. The cumulated losses of the Company which amount to EUR 13.1 Million represents 29.25% of the corporate capital of the Company. Therefore, the requirements of Article 100 of the Luxembourg law dated 19 August 1915 as amended are not fulfilled and there is no legal or statutory requirement for the Board of Directors of the Company to convene a general meeting of the shareholders of the Company to resolve on the continuation of the Company.

4.3.4. Shareholding

Amount of share capital

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

Capital ownership and voting rights as of 19 April 2010

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 19 April 2010:

Shareholders	Number of shares	% of capital	% Voting Rights
Lansdowne Capital	1 000 000	7.12	7.12
Axa Investment Managers	874 835	6.22	6.22
Millenius	847 600	6.03	6.03
Neptune Invest Sàrl	740 000	5.27	5.27
Hillgrove Investments Group	300 000	2.13	2.13
Finplat SA	300 000	2.13	2.13
Clannathone	227 000	1.62	1.62
Ott&Co SA	176 343	1.25	1.25
Bugle	30 000	0.21	0.21
Treasury shares	9 761	0.07	0.07 (suspended)
Other	9 548 987	67.95	67.95
Total	14053866	100	100

On 19 March 2010, the Company was notified by Millenius Investments S.A. ("Millenius"), a Luxembourg company having its registered office at 37 rue d'Anvers, L-1130 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B149.601 that it crossed the threshold of 5% of the voting rights of the Company on 16 March 2010 and holds 7.744% of the voting rights in the Company, based on the number of shares composing the share capital of the Company at that time which amounted to 10,943,866 shares.

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On 24 March 2010, a group of shareholders declared to the Company a holding of 10.09% of the Company's shares and voting rights, based on the number of shares composing the share capital of the Company at that time which amounted to 10,943,866 shares. They asked the Company's Board of Directors to convene a General Assembly before the end of April 2010. They are composed of:

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

On April 6, 2010 the board of directors of the Company approved a private placement of 6.1 million EUR in the form of a reserved capital increase under its authorized capital in favour of funds managed by AXA Investment Managers S.A. and Neptune Invest S.à r.l. for 750,000 and 340,000 shares. AXA and Neptune subscribed to the capital increase on April 8, 2010. The share capital of the Company increased to 49,338,850.60 EUR represented by 12,033,866 shares without nominal value.

On April 8, 2010, the Board of Directors approved a private placement of 7.1 million EUR in the form of a reserved capital increase of its authorized capital in favour of Alandia Investissements, Neptune Invest s.a.r.l. and Lansdowne Capital s.a (an affiliate of SPQR Capital) for 20 000, 400 000, and 1 000 000 shares respectively. The foregoing investors subscribed to the capital increase on April 9, 2010. The share capital of the Company has therefore increased to 55,160,850.60 EUR represented by 13,453,866 shares without nominal value.

On April 14, 2010, the Board of Directors approved and ratified a private placement of 3 million EUR in the form of a reserved capital increase within its authorized capital in favour of Hillgrove Investments Group Limited for 300,000 shares and FINPLAT S.A. for 300,000 shares. The foregoing investors subscribed to the capital increase on April 13, 2010. The share capital of the Company has thus been increased to 57,620,850.60 EUR represented by 14,053,866 shares without nominal value.

On 19 April 2010, **Axa Investment Managers S.A.** notified on behalf of its subsidiaries: **Axa Investment Managers UK Ltd.**, with registered office at 7 Newgate Street London, EC1A 7NX, United Kingdom, incorporated under number 1431068 holds 704,835 shares representing 5.86 % of voting rights of the Company and **Axa Investment Managers Paris** with registered office at Coeur Défense Tour B La Défense 4, 100 esplanade du Général de Gaulle 92400 Courbevoie, RCS number : 393 051 826 RCS Nanterre holds 170,000 shares representing 1.41 % of voting rights of Company. In total Axa Investment Managers holds via its subsidiaries 874,835 shares representing 7.27 % of voting rights of the Company based on the number of shares composing the share capital of the Company after the capital increase approved by the board of directors of the Company on 6 April 2010.

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

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Company after the capital increase approved by the board of directors of the Company on 8 April 2010.

On 23 April 2010 **Lansdowne Capital S.A.** a stock company with registered office at Avenue de la Liberté 25, L-1931 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg notified the Company that it holds 1,000,000 of Company's shares, representing 7.43% of the voting rights of the Company, based on the number of shares composing the share capital of the Company after the capital increase approved by the board of directors of the Company on 8 April 2010.

Capital ownership and voting rights as of the date of the Registration Document :

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of the date of the Registration Document. Please note that the Company, as a company listed on four stock exchanges, has no control over transactions with the Company's shares done by its shareholders. The Company can provide updated information regarding the board and executive committee member shareholding, and those shareholders who eventually notify the Company on crossing relevant thresholds (if any) pursuant to the articles and transparency requirements and for those shares which are registered in the shareholders register. Therefore, the latest information the Company has is the following:

Shareholders	Number of shares	% of capital	% Voting Rights
Lansdowne Capital	1 000 000	7.12	7.12
Axa Investment Managers	856 751	6.09	6.09
Millenius <i>(information as of 19 Avril 2010)</i>	847 600	6.03	6.03
Neptune Invest Sàrl <i>(information as of 19 April 2010)</i>	740 000	5.27	5.27
Hillgrove Investments Group	300 000	2.13	2.13
Finplat SA	300 000	2.13	2.13
Clannathone <i>(information as of 19 April 2010)</i>	227 000	1.62	1.62
Ott&Co SA	177 003	1.26	1.26
M. Silvano Pedretti	100 000	0.71	0.71
Joho Compagnie	40 058	0.28	0.28
Bugle <i>(information as of 19 April 2010)</i>	30 000	0.21	0.21
Alandia Investments	20 000	0.15	0.15
Treasury shares	9 761	0.07	0.07 (suspended)
Other	9 405 693	66.93	66.93
Total	14 053 866	100	100

Some of the shareholders have been mentioned into this chart with information as of 19 April 2010 as the Company has no information on the current capital ownership and voting rights of such shareholders as of the date of the prospectus.

Stock subscription rights

The stock option plan voted by the Board of Directors on 21 January 2008 was not allocated due to the financial conditions.

No options were exercised in 2009 and in 2010. As at the date of the Prospectus, 60,000 options at EUR 75.6 are outstanding.

Transactions on treasury shares in 2010

As of the date of the Registration Document, the Company owns 9,761 treasury shares.

The table hereafter summarizes the transactions realized by the Company in 2010 on its own shares:

	Acquisitions	Sales
Number of shares (% of total shares)	127 071 (0.90 %)	127 071 (0.90 %)
Total Price (EUR)	978 459,40	919 650,95
Average price per share (EUR)	7.7001	7.2373

Acquisitions made in 2010:

1. On 5/11/10 OPG purchased 10,900 OPG shares.
2. On 9/11/10 OPG purchased 7,880 OPG shares.
3. On 26/11/10 Office II Invest purchased 20,191 OPG shares.
4. On 26/11/10 Office II Invest purchased 35,000 OPG shares.
5. On 29/11/10 Office II Invest purchased 21,869 OPG shares.
6. On 30/11/10 Office II Invest purchased 21,231 OPG shares.
7. On 2/12/10 Office II Invest purchased 5,000 OPG shares.
8. On 13/12/10 OPG purchased 5,000 OPG shares.

Total: 127,071 OPG shares

On 16 December, 2010, 79,694 OPG shares were instructed to be transferred from our accounts to repay a supplier.

On 23 December, 2010, 46,717 OPG shares were sold to a fund.

On 27 December, 2010, 660 OPG shares were transferred to Ott&Co S.A. pursuant to an instruction of Urso Verde S.A., in accordance with the share pledge agreement dated 30 April, 2009, entered into between Urso Verde S.A. and the Company (see page 187 - section 6.2. Related party transactions)

As such, there are no other OPG shares on OPG or its subsidiaries' accounts other than those from before 2010 that have already been declared.

Transactions on treasury shares in 2009

The table hereafter summarizes the transactions realized by the Company in 2009 on its own shares:

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	Acquisitions	Sales
Number of shares (% of total shares)	90,660 (0.83 %)	206,765 (1.89 %)
Fair value (EUR)	679,951.59	1,488,171.21
Average prices (EUR)	7.50	7.20

As of 31 December 2009, the Company owns 9,761 treasury shares. In 2008, the Company owned 125,866 treasury shares representing 1.1% of total shares.

During the year 2009, a share pledge agreement was signed between the Company and Urso Verde S.A. (see note 31 of the 2009 consolidated financial statements on the related party transactions) to secure the debt linked to the loan granted in 2008 by the Company to Urso Verde S.A. As agreed by both parties, 90,660 shares of the Company were transferred by Urso Verde S.A. to secure the total debt amounting to EUR 679,951.59 from which 90,000 shares were finally sold by the Company to reimburse the debt. As of 31 December 2009, 660 of its own shares to be transferred back to Urso Verde S.A. were still held on the Company's portfolio with no book value.

Stock Market Performance

Shares

The Company's shares (ISIN LU0122624777) have been listed on the Paris Stock Exchange (Euronext) since 2000, on the main market of the Prague Stock Exchange since 2005 and on the main markets of the Warsaw Stock Exchange and the Budapest Stock Exchange since 2007.

Changes in share price (COB) and volume traded in 2010 on Euronext are listed below:

2010	Low	High	Volume
Jan-10	6.21	6.96	1 437 211
Feb-10	6.41	7.70	1 544 359
Mar-10	7.49	8.05	1 106 863
Apr-10	7.40	8.19	1 631 121
May-10	5.98	7.31	773 757
Jun-10	4.83	5.98	554 765
Jul-10	4.66	5.12	425 852
Aug-10	5.04	5.67	657 813
Sept-10	6.24	8.00	1 466 442
Oct-10	7.23	7.98	512 207
Nov-10	6.95	7.92	492 194
Dec-10	7.01	7.70	349 039
Lowest/highest of the year	4.66	8.19	
Total annual transactions			10 951 623

Other financial instruments of the Company

The table below sets forth the list of financial instruments of the Company:

Name	Type	ISIN
Orco Property Group shares	Equity	LU0122624777 QS0007939265
Bond 2007 - 2014	Fixed income	XS0291838992
Warrant 2007 - 2014	Equity	XS0290764728
Convertible bond 2006 - 2013	Fixed income	FR0010333302
Variable rate bond 2005-2011	Fixed income	CZ0000000195
Bond 2005 - 2010	Fixed income	FR0010249599
Warrant 2005-2012 <i>Note: Exchange offer against 2014 warrants, closed in November 2007</i>	Equity	LU0234878881
Exchangeable bond into Hvar shares 2012	Fixed income	XS0223586420

4.4. 2008 key figures

4.4.1 Extract of the management report for the financial year ended 2008

2008 ended with a consolidated loss of EUR -390.5 Million compared to a consolidated profit of EUR 87.5 Million as at 31 December 2007. During the same period the share price went down 92 % from EUR 81.53 to EUR 6.47 following the stock market trend.

Sales increased by EUR 0.7 Million to reach EUR 299.9 Million due to both renting and development activities increases.

Decrease of the fair value revaluation recognised in our consolidated financial statements amounted to EUR -217 Million compared to a profit of EUR 147 Million in 2007. The main contributors were GSG (EUR 28.1 Million), Haus Cumberland (EUR -37.0 Million), Bubny (EUR -25.7 Million), Radio Free Europe (EUR -18.8 Million), Budapest Bank (EUR -14.7 Million) and Mostecka (EUR -12.5 Million).

In the first half of 2008, Orco Property Group continued its acquisitions but to a smaller degree than in 2007 (EUR 891 Million in 2007). The most important acquisitions are listed below:

Buildings & Land Bank	Country	Investment (€ million)
Buildings		12,7
Hüttendorf	Germany	7,9
Hakeburg	Germany	3,4
Hochwald	Germany	1,4
Land Bank		38,7
Gethsemanestrasse	Germany	2,9
Nupaky	Czech Republic	6,4
OBI Decin	Czech Republic	2,2
Obonjan Rivijera	Croatia	2,2
new plot in Krakow	Poland	7,6
new plot in Kaluga	Russia	17,4
TOTAL		51,4

The portfolio valuation as at 31 December 2008 amounted to EUR 2,201 Million vs EUR 2,471 Million in 2007. Only properties classified as investment properties are accounted for at their fair value in the consolidated financial statements. The hotels, properties under development and developments to be sold in the ordinary course of business are accounted at amortised cost less impairments.

As at 31 December 2008, the long term debt (> 5 years) amounted to EUR 385 Million (EUR 455 Million in 2007) and the short term debt (< 5 years) to EUR 1,181 Million (EUR 1,025 Million in 2007). The total debt grew from EUR 1,480 Million to EUR 1,566 Million.

The Net Asset Value (as defined below) decreased from EUR 91.7 EUR to EUR 42.6 per share taking into account the year-end valuations of all the rental portfolio and developments.

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In MEUR	December 2008	December 2007
Consolidated equity	304,633	736,012
Fair value adjustments on invest. Portfolio	374	6,483
Fair value adjustments on retail Pipeline	11,708	3,575
Fair value adjustments on resid. Pipeline	18,516	56,916
Fair value adjustments on com. & office Pipeline	-32,532	11,488
Fair value adjustments on hotels	45,944	23,148
Deferred taxes on revaluations	141,356	164,077
Goodwills	-29,305	-36,109
Own equity instruments	4,190	27,800
Net asset value	464,884	993,390
Net asset value per share	42.48	91.67
Existing shares	10,944	10,837

Definitions:

Consolidated equity: total consolidated equity after deduction of the minority interests as shown in the consolidated balance sheet.

Fair value adjustments: difference between the net book value and the fair market value of the properties and developments that are carried at amortised cost after impairments in the consolidated financial statements. The investment properties are the only non financial assets to be booked at fair value in the consolidated balance sheet (see note 8 of the 2008 consolidated financial statements).

Deferred taxes on revaluations: Group share in the deferred taxes recognised in the accounts that the Group will not pay in case of share deals, on the investment property or on properties that used to be recognised as such before reclassification (for instance to inventories after being classified as land bank).

Own equity instruments: own shares and warrants of Orco Property Group S.A. and Orco Germany S.A., deducted from the consolidated equity.

4.4.2. Audited consolidated financial statements of the Company as of and for the year ended 31 December 2008

a. Consolidated financial statements

The consolidated financial statements closed with a net loss attributable to shareholders of EUR - 390.6 Million vs a net profit of EUR 87.5 Million in 2007. The total consolidated balance sheet reached EUR 2.46 Million vs EUR 2 9 Million in 2007 and the equity holders' balance amounted to EUR 304.6 vs EUR 736 Million in 2007.

Turnover

The consolidated revenue closed at EUR 299.9 Million in 2008 vs EUR 299.2 Million in 2007.

in MEUR	2008	2007	% change
Development	157.1	192.7	-18%
Renting	111.4	66.1	69%
Hotels and Residences	37.7	42.9	-12%
Management Services	16.2	15.9	2%
Intersegment activities	-22.4	-18.4	22%
Total	299.9	299.2	0%

Development

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Revenues from the residential development activities reached EUR 157.1 Million (EUR 192.7 Million in 2007). The Group decreased the volume of its development activities with the delivery of 2,979 units in 2008.

For 2009, the backlog, being the number of future purchase contract signed, amounts to 713 units.

Renting

Renting revenues were EUR 111.4 Million vs EUR 66.1 Million in 2007.

The three main contributors are:

Molcom, which was purchased in April 2007, generated EUR 24.0 Million of revenues;

GSG, which was acquired in June 2007, generated EUR 38.9 Million of revenues;

in Prague, the Bubenska building, purchased in September 2006 for EUR 27.0 Million, generated EUR 3.7 Million in rental revenues in 2008.

Orco Germany's investment portfolio generated EUR 57.2 Million of rental income (EUR 27.4 Million in 2007). In 2008, the occupancy rate of GSG assets increased by 3% to 74.6%. GSG was able to increase the average rent per sqm for commercial space from EUR 5.92 in December 2007 to EUR 6.07 in December 2008. The total income generated by GSG amounted to EUR 48.4 Million (EUR 19.9 Million in the second half of 2007).

Hotels and Residences

Hospitality revenues decreased to the level of EUR 37.7 Million in 2008 compared to EUR 42.9 Million in 2007, due to the sale of the residences Belgicka and Diana in the Czech Republic to the Hospitality Fund. Suncani Hvar contributed EUR 16.7 Million compared to EUR 12.1 Million the previous year.

The performance of the 2008 Hospitality portfolio (excluding Suncani Hvar) improved significantly with an ADR of EUR 121.5 and a Revpar of EUR 72.8 compared to EUR 108.7 and EUR 69.9 respectively in 2007.

For 2009, the total targeted turnover of the joint-venture with AIG is EUR 41 Million.

Management Services

The fees generated by the Endurance Fund have decreased to EUR 6.4 Million (EUR 7.6 Million in 2007). The remaining revenues in that segment of activity are mostly inter-segment revenues.

Today, the Endurance Fund family is divided into 3 active sub-funds (Office, Residential and Office II).

Operating result

2008 closed with a negative operating result of EUR -386.8 Million vs a positive result of EUR 177.1 Million in 2007.

Financial result

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The net financial result in 2008 amounted to EUR -127.6 Million vs EUR 73.9 Million in 2007.

The interest expenses of EUR -74.7 Million vs EUR -66.3 Million in 2007 correspond to the Group global financing charge.

Interest income amounted to EUR 10.1 Million vs EUR 8.9 Million in 2007.

Foreign exchange result amounted to EUR -21.2 Million vs EUR -5.7 Million in 2007.

Other net financial results amounting to EUR -41.8 Million (EUR -10.8 Million in 2007) were mainly constituted by a loss of EUR -1.7 Million on the embedded derivatives on bonds, of a profit of EUR 7.9 Million on the Suncani Hvar warrants, of a loss of EUR -31.1 Million on the other derivatives, and of a loss of EUR -13.8 Million on trading and revaluation of other financial assets.

Tax

The global tax charges of the year amounted to EUR 50.6 Million vs EUR -2.3 Million in 2007. The income tax benefit recognised in the income statement amount to EUR 51.0 Million and composed of EUR 8.9 Million of current income tax expenses and EUR 59.9 Million of deferred income taxes gain. Deferred taxes are mainly due to deferred tax asset recognised on negative revaluations and impairments booked on properties (EUR 62.0 Million).

b. Financial liabilities

The Group's net financial debt amounted to EUR 1,566 Million (bank indebtedness and bonds issued) vs EUR 1,480 Million in 2007. Cash and cash equivalents amounted to EUR 84 Million vs EUR 258 Million in 2007.

The loan to value ratio reached 67.2 % vs 49.0 % in 2007.

Most of the administrative covenants are managed by local financial managers. Reported breaches are managed at Group level, where required, decisions are taken. Financial covenants are directly managed at Group level (see note 29 to the consolidated financial statements). End of 2008 some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities.

Calculation of loan to value ratio (in MEUR)

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	December 2008	December 2007
Non current liabilities		
Bonds	429,437	472,812
Financial debts	826,483	831,724
Current liabilities		
Financial debts	309,836	175,216
Current assets		
Current financial assets	-2,190	-11,222
Cash and cash equivalents	-83,799	-257,977
Net debt	1,479,767	1,210,553
Investment property	1,211,718	1,564,947
Hotels and own-occupied buildings	245,273	294,170
Properties under development	99,673	104,369
Financial assets	70,681	82,182
Inventories	529,827	323,699
Revaluation gains on projects and properties	44,010	101,610
Fair value of portfolio	2,201,182	2,470,977
Loan to value	67.2%	49.0%

4.4.3. Annual statutory financial statements

Net Profit

The 2008 result closed with a loss of EUR -240.5 Million vs a profit of EUR 17.9 Million in 2007. Revenue amounted to EUR 0.5 Million vs EUR 1.6 in 2007.

Financial result

Income from participating interests amounted to EUR 32.2 Million vs EUR 43.9 Million in 2007. This profit was generated by:

- the sale of the participations in Luxembourg Plaza and Avenue Gardens to Endurance Residential Fund with a profit of EUR 13.0 Million;
- the sale of 25% of five equity stakes to Endurance Residential Fund with a loss of EUR 3.6 Million;
- the sale of three hotels to the Hospitality Fund with a profit of EUR 3.3 Million;
- the liquidation of three equity stakes with a loss of EUR -6.8 Million;
- the sale of four stakes with a profit of EUR 2.1 Million;
- dividends received from subsidiaries amounted to EUR 24.2 Million.

Interest charges amounted to EUR 64 Million vs EUR 27 Million in 2007, while interest income increased from EUR 22 Million in 2007 to EUR 33 Million in 2008.

4.4.4. Shareholding

Amount of share capital

As at 31 December 2008, the subscribed and fully paid-up capital of EUR 44,869,850.60 (EUR 44,430,855.40 in 2007) is represented by 10,943,866 shares (10,836,794 in 2007) with a par value of EUR 4.10 per share.

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Capital rose by EUR 438,995.20 during 2008, by the payment of dividends by 107,072 shares. Total share premiums paid in 2008 as part of the capital increases came to EUR 4,762,562.56.

Capital ownership and voting rights as at 31st December 2008

To the best knowledge of the management, the share capital and the voting rights as at 31 December 2008 were as follows:

Shareholders	Number of shares	% of share capital	% of voting rights
European Investors	517 645	4.73%	4.73%
Jardenne S.à r.l.	461 831	4.22%	4.22%
Bernard Gauthier	207 933	1.90%	1.90%
Ott&Co S.A.	176 343	1.61%	1.61%
Treasury shares	125 866	1.15%	1.15%
Employees	24 077	0.22%	0.22%
Others	9 430 171	86.17%	86.17%
Total	10 943 866	100.00%	100.00%

To the best knowledge of the management and as at 31 December 2008, no shareholder holds more than 10% of the share capital of Orco Property Group S.A.

History of the principal shareholders for the last three years:

Shareholders	% of share capital	% of share capital	% of share capital
Years	31/12/2006	31/12/2007	31/12/2008
European Investors	/	/	4.73%
Jardenne S.à r.l.	4.18%	4.22%	4.22%
Bernard Gauthier	5.59%	4.33%	1.90%
Ott&Co S.A.	12.61%	11.15%	1.61%
Treasury shares	0%	1.30%	1.15%
Employees	0%	0%	0.22%
Others	77.62%	80.30%	86.17%
Total	100%	100%	100%

No voting trust exists as at 31 December 2008 except the agreement signed between Ott&Co S.A. and Jardenne S.à r.l. to vote in favor of the appointment of one director representing Jardenne S.à r.l. if requested by Jardenne S.à r.l.

Authorized capital not issued

The Extraordinary Shareholders' Meeting of 8 July 2008 renewed the authorisation granted by shareholders to the Board of Directors on 18 May 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorised capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorised capital of EUR 300,000,001.20 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorised capital.

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The Board of Directors has been authorised and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalisation of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 8 July 2013.

Transactions on treasury shares in 2008

The table hereafter summarises the transactions realised by the Group in 2008 on its own shares:

	Acquisitions	Sales
Number of shares (% of total shares)	67 184 (0.6%)	90 720 (0.8 %)
Fair value (EUR)	4 093 741.22	1 870 515.80
Average prices (EUR)	60.93	20.62

As at 31 December, 2008, the Group owns 125,866 treasury shares (1.1% of total shares) (2007: 149,402 treasury shares; 1.3 % of total shares).

Stock market performance

Shares

Changes in share price and volume traded in 2008 are listed below:

	Low	High	Volume
2008	80.50	133.99	12,798,937
Jan-08	58.00	82.12	1,572,129
Feb-08	64.00	71.00	824,269
Mar-08	56.07	67.21	736,039
Apr-08	49.10	59.00	1,338,110
May-08	49.92	59.58	1,420,337
Jun-08	36.14	48.05	1,476,589
Jul-08	23.85	37.00	2,476,654
Aug-08	22.10	25.50	2,439,094
Sep-08	14.03	29.47	6,140,304
Oct-08	8.30	16.39	7,329,115
Nov-08	5.10	12.02	5,044,513
Dec-08	6.20	7.17	1,469,447
Lowest/highest of the year	5.10	82.12	
Total annual transactions			32,266,600

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Bonds with redeemable share subscription warrants

Change in bond price and volumes traded:

Change in bond price and volume traded in 2008 are listed below:

	Low	High	Volume
2008	42.00	77.00	484,291
Jan-08	14.86	35.00	1,544
Feb-08	17.80	20.00	1,882
Mar-08	19.10	22.00	330
Apr-08	20.10	23.45	125
May-08	23.95	27.50	255
Jun-08	-	-	-
Jul-08	-	-	-
Aug-08	-	-	-
Sep-08	6.00	17.52	595
Oct-08	6.00	15.50	315
Nov-08	-	-	-
Dec-08	-	-	-
Lowest/highest of the year	6.00	35.00	
Total annual transactions			5,046

Convertible bonds 2006-2013 (FR0010333302)

Change in bond price and volume traded in 2008 are listed below:

	Low	High	Volume
2008	120.82	166.00	94,371
Jan-08	101.00	125.00	42,340
Feb-08	100.00	106.50	17,938
Mar-08	97.00	102.50	14,520
Apr-08	96.00	102.98	10,605
May-08	98.60	106.00	10,103
Jun-08	85.02	98.90	20,573
Jul-08	77.00	84.98	2,162
Aug-08	59.00	74.99	68,656
Sep-08	57.00	74.00	16,686
Oct-08	35.15	60.00	19,299
Nov-08	27.10	38.50	7,098
Dec-08	11.89	28.90	53,692
Lowest/highest of the year	11.89	125.00	
Total annual transactions			273,843

Distribution of dividends

The Company set up a dividend distribution policy based, on the one hand, upon the long-term revenues obtained via its real estate business, mainly rental income and on the other, upon short-term revenues obtained through its property development activity.

Shareholders at the General Meeting of 2008 for the financial year 2007 approved the payment of a gross dividend of EUR 1.40 per each share held, payable in cash or in new shares, the price of the shares being set at EUR 49.98.

A total dividend payment of EUR 14,892,091.20 was distributed. Shareholders holding a total of 4,134,382 shares opted for the free allotment of 107,072 new shares. Shareholders holding a total of 6,502,826 shares opted for payment in cash.

The appropriate tax treatment depends on the nature of the shareholder (individual or legal entity) and on his country of fiscal residency.

In general, tax law relating to any dividend distribution by a Luxembourg corporation to shareholders, who do not benefit from the application of dual-taxation conventions (including collective investment funds, investment funds with variable capital, insurance contracts, etc.) requires the application of a withholding tax of 20%.

In accordance with article 147 LIR, no tax will be withheld at the source if the beneficiary is a fully taxable Luxembourg company or an EU-resident company concerned by article 2 of the EEC Council directive of 23 July 1990 relating to the general fiscal regulations applicable to parent and subsidiary companies from different EU countries and if, on the date income is paid, the beneficiary holds or commits to holding directly for an uninterrupted 12-month period, a minimum of a 10% stake or at least EUR 1,200,000 in the share capital of the company paying these revenues. Generally speaking, the tax withheld will be used to pay for a tax in the beneficiary's fiscal home country, if applicable, based on the gross dividend. Formalities vary from country to country.

French residents should ask their financial intermediary to provide them with the appropriate form.

No dividend payment is proposed by the Board of Directors for 2008. This proposal must be approved by shareholders at the Annual General Shareholders' Meeting called to approve the 2008 accounts.

Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids - Luxembourg law of 19 May 2006

In reference to the Luxembourg law of 19 May 2006, the Board of Directors especially states on the following points:

- (a) the structure of their capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents; *the share capital of Orco Property Group is represented by only one class of shares which are all admitted for trading on the Paris Stock Exchange, the Prague Stock Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange;*
- (b) any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the Company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC; *there is no restriction on the transfer of securities;*

- (c) significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC: *refer to paragraph 5 above on shareholding*;
- (d) the holders of any securities with special control rights and a description of those rights; *not applicable*;
- (e) the system of control of any employee share scheme where the control rights are not exercised directly by the employees; *not applicable, the Group has no employee share scheme*;
- (f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities; *there is no restriction on voting rights*;
- (g) any agreements between shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC; *no agreements*;
- (h) the rules governing the appointment and replacement of Board members and the amendment of the articles of association; *Board members are appointed by the shareholders, articles of associations can be modified by the shareholders through an extraordinary general meeting respecting the quorum foreseen by the Luxembourg corporate law*;
- (i) the powers of Board members, and in particular the power to issue or buy back shares ; see “authorised capital” in point 5 hereabove, *The Board of Directors was granted full powers to proceed with the capital increases within the revised authorised capital of EUR 300,000,001.20 until 8 July 2013*;
- (j) any significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the Company; this exception shall not apply where the Company is specifically obliged to disclose such information on the basis of other legal requirements; *not applicable*;
- (k) any agreements between the Company and its Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid. *A compensation scheme for part of the executive committee members exists in a total amount of EUR 34 Million is in place in case members cease their contract in a period of 6 months after a change of control of the Company.*

4.5. 2007 Key figures

4.5.1 Extract of the management report for the financial year ended 2007

2007 ends with a consolidated profit of EUR 87.5 Million compared to EUR 96.7 Million as at 31.12.06. During the same period the share price went down 20.46 % from EUR 102.50 to EUR 81.53 following the stock market trend.

Sales went up 73 % to end up at EUR 299.2 Million thanks to both renting and development activities increases.

Revaluation profits recognized in our accounts amount to EUR 147 Million compared to EUR 146 Million in 2006. The main contributors are GSG (EUR 28.2 Million), Leipziger Platz (EUR 19.5 Million), Haus Cumberland (EUR 16.2 Million), Bubny (EUR 7.9 Million) and Na Porici (EUR 3 Million).

The company also started this year with an active asset management policy leading to a few disposals of assets/participations among which:

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25% of four residential projects (Praga – Zlota – Szczecin, and Josefoslawa) initiating EUR 6.2 Million profit and EUR 23 Million cash;
50% of part of the hospitality portfolio, EUR 18.6 Million profit and EUR 50 Million cash
Pier Eins building sale in Germany, EUR 2.4 Million profit

In 2007 Orco continued on the same trend of acquisitions as in 2006, the most important acquisitions are listed below:

Buildings & land bank	Country	Investment (€ Million)
Buildings		719.7
GSG	Germany	378.0
Molcom	Russia	92.0
Gebauer Höfe	Germany	42.9
Orco House	Luxembourg	31.2
Mostecka	Czech Republic	21.0
Hradcanska	Czech Republic	21.2
City Gate	Slovakia	21.0
Dunaj	Slovakia	18.9
Other buildings	All countries	93.5
Land bank		171.0
Wertheim	Germany	78.9
Otrada	Russia	41.3
Origo	Hungary	9.2
Other land bank	All countries	41.6
Total		890.7

These acquisitions have mainly been financed by the capital increase of Orco Property Group and the bonds issued by Orco Property Group and Orco Germany. The newly issued shares (2,447,148) were generated by the capital increase (1,500,000 shares), by the exercise of stock options (294,000 shares), by the reinvestment of dividends (36,834 shares), by the conversion of bonds (257,027 shares) and by the issue free shares (359,287) linked to the exchange of 2012 warrants in 2014 warrants. Two bonds with warrants were issued, i.e. a EUR 175 Million bond with warrants issued by Orco Property Group (2007-2014 – 2.5%) and a EUR 100 Million bond with warrants issued by Orco Germany (2007-2012 - 4%).

The portfolio valuation on 31st December 2007 amounts to EUR 2,400 Million vs EUR 1,300 Million in 2006. Only properties classified as investment property are accounted for at their fair value in the consolidated accounts; the hotels, properties under development and developments to be sold in the ordinary course of business are accounted for at amortized cost less impairments.

As at December 2007, the long term debt (> 5 years) amounts to EUR 455 Million (vs EUR 295 Million in 2006) and the short term debt (< 5 years) amounts to EUR 1,025 Million (vs EUR 356 Million in 2006). The total amount of debt grew from EUR 651 Million to EUR 1,480 Million.

Based on the real estate approach, the NAV grew from EUR 77.9 to EUR 91.7 /share taking into account the year end valuation of all the real estate assets.

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In MEUR	December
	2007
Consolidated equity	736 012
Fair value adjustments on invest. Portfolio	6 483
Fair value adjustments on retail Pipeline	3 575
Fair value adjustments on resid. Pipeline	56 916
Fair value adjustments on com. & office Pipeline	11 488
Fair value adjustments on hotels	23 148
Deferred taxes on revaluations	164 077
Goodwills	-36 109
Own equity instruments	27 800
Net asset value	993 390
Net asset value per share	91,67
Existing shares	10 837

Definitions :

Shareholders' equity : total consolidated equity after deduction of the minority interests as shown in the consolidated balance sheet.

Fair value adjustments : difference between the net book value and the fair market value of the properties and developments that are carried at amortized cost after impairments in the consolidated accounts. Only the investment property (see note 8 of the 2007 consolidated financial statements) are carried at fair value in the consolidated balance sheet.

Deferred taxes : Group share in the deferred taxes recognized in the accounts on the investment property or on properties that used to be recognized as such before reclassification (for instance to inventories in the case of land bank) that the Group will not pay in case of share deals.

Own equity instruments: corresponds to the own shares and warrants of Orco Property Group S.A. and Orco Germany S.A. deducted from the consolidated equity.

4.5.2. Audited consolidated financial statements of the Company as of and for the years ended 31 December 2007

a. Consolidated income statement

The consolidated financial year closes with a net profit attributable to shareholders of EUR 87.5 Million vs EUR 96.7 Million in 2006. The balance sheet total is fixed at EUR 2.9 Billion vs EUR 1.5 Billion in 2006 and the shareholders equity amounts to EUR 736.9 Million vs EUR 454.2 Million in 2006.

Turnover

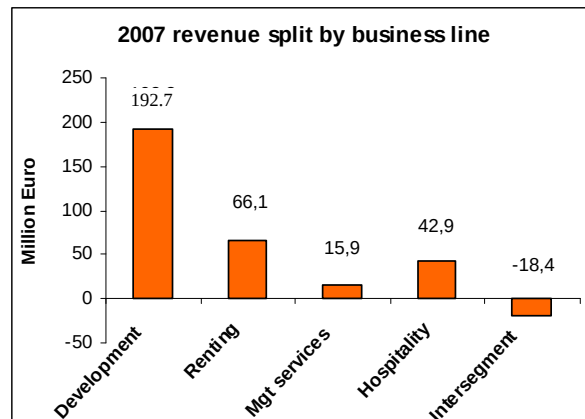
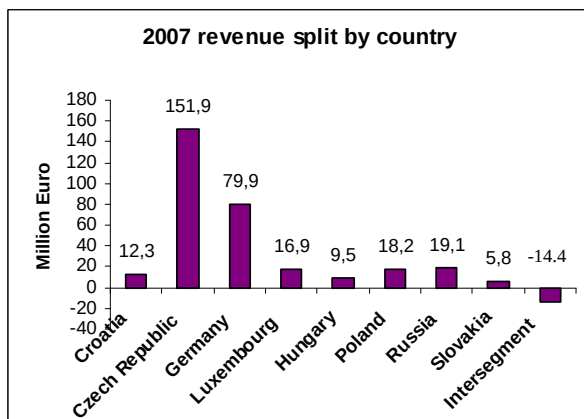
The consolidated turnover on 31.12.07 closes at EUR 299.2 Million vs EUR 172.9 Million on 31.12.06.

in € Million	2007	2006	%change
Development	192.7	124.3	55%
Renting	66.1	19.9	232%
Hotels and Residences	42.9	30.7	39%
Management services	15.9	8.7	83%
Intersegment activities	-18.4	-10.7	72%
Total	299.2	172.9	73%

Development

Revenues from the residential development activities reached the level of EUR 192.7 Million compared to EUR 124.3 Million in 2006. The group has significantly increased the volume of its development activities with the delivery of 1,503 units in 2007 (including 50% of the units sold from Kosik development).

For 2008, the backlog of 894 signed future purchase contracts gives Orco Property Group's management a high level of confidence in meeting its full year target of EUR 197 Million in revenues from development activities.



Renting

Renting revenues were EUR 66.1 Million vs EUR 19.9 Million in 2006.

The two new contributors were:

Molcom, which was purchased in April and generated EUR 17.0 Million of revenues;

GSG, which was acquired at the end of June and generated EUR 19.7 Million of revenues.

In Prague, the biggest contributor was the Bubenska building that was purchased in September 2006 for EUR 27.0 Million and which generated, in 2007, EUR 3.3 Million in rental revenues.

The average occupancy rate remains very high at 88% (excl. GSG) on a global basis. Detailed by sector, the occupancy rate is 82% for office space, 87% for residential property, 91% for retail space and 94% for logistic/light industrial space. The office division's occupancy rate decline is explained

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by the consolidation of GSG; but it is worth noting that the occupancy rate has already improved from 68% to 70% and keeps improving. Including GSG, the occupancy rate of the office portfolio comes to 72%.

Taking into account a full contribution from Molcom and GSG, the group has set a target of reaching EUR 80 Million in rents in 2008.

Hotels and residences

Hospitality revenues were at the level of EUR 42.9 Million in 2007 compared to EUR 30.8 Million in 2006. Suncani Hvar contributed EUR 12.1 Million compared to EUR 9.6 Million the previous year, despite the late opening of Amfora at the end of July.

The performance of the 2007 hospitality portfolio (excl Suncani Hvar) improved significantly with an ADR of EUR 108.7 and a Revpar of EUR 69.9 compared to EUR 99.1 and EUR 60.0 respectively in 2006.

The group targets a turnover of EUR 23 Million in 2008 for the fully controlled portfolio.

Due to the joint control between Orco and AIG, the turnover of the Central European hospitality portfolio will be proportionally integrated in 2008. Therefore, the total turnover of the division will be increased by EUR 17 Million corresponding to 50% of the revenues of the JV. The total targeted turnover is EUR 40 Million.

Management services

The fees generated by the Endurance Fund have significantly increased to EUR 7.6 Million (compared to EUR 4.5 Million in 2006) showing the growth and strength of this activity. The remaining revenues in that segment of activity are mostly inter-segment revenues.

Today, the Endurance Fund family is divided into 2 existing sub-funds (Office and Retail 1, Residential) and 3 new sub-funds open to subscriptions: Office 2, Industrial & Logistics and finally Healthcare. An additional Infrastructure sub-fund is currently under approval process. AAA investors across all borders are unit holders of the funds. Orco Property Group holds the position of asset manager and investor in each of the funds, and has committed between 5 to 20% equity in most of them.

In 2008, the group anticipates a sharp increase in Endurance Fund's contribution to the turnover in the amount of EUR 30 Million.

Net gain of fair value adjustment

The revaluation profit amounted to EUR 147.4 Million vs EUR 145.9 Million in 2006. This revaluation profit only includes the revaluation of investment properties and land banks. On-going developments, properties under construction and hotels (all valued at costs) are excluded from this calculation.

Among the main contributors to this revaluation profit, it is worth mentioning GSG for EUR 28.2 Million, Leipziger Platz (Wertheim) for EUR 19.5 Million, Haus Cumberland for EUR 16.2 Million, Bubny for EUR 8.0 Million and Na Porici (Palace Archa in Prague) for EUR 3.0 Million.

Adjusted EBITDA of EUR 66.1 Million

The adjusted EBITDA (being the EBITDA after adjustment of the revaluation included the costs of sales) amounts to EUR 66.1 Million on EUR 299.2 Million of sales (versus EUR 5.6 Million in 2006 for EUR 172.9 Million turnover). The growth of the adjusted EBITDA has been much stronger than the one for turnover, showing a significant improvement of the operating profitability.

The three pillars contribute to this trend.

The adjusted EBITDA of the development activity increased from a negative contribution of –EUR 3.9 Million in 2006 to EUR 16.1 Million showing the improvement of our development margin and the achievement of a better balance between the volume of deliveries versus investments in new projects. The capital gain on the sale of 25% of four residential developments to the Endurance Residential fund also contributed to this improvement for EUR 6.2 Million.

The adjusted EBITDA of the renting portfolio amounts to EUR 30.4 Million vs EUR 4.8 Million in 2006. On the operations side, there are two major contributors to this improvement: GSG for EUR 8.2 Million (6 months of consolidation) and Molcom for EUR 5.6 Million (9 months of consolidation). On the non operational side, this amount includes the net gain on the sale on Pier Eins and asset sales of the Vinohrady portfolio.

The adjusted EBITDA of the asset management activity amounts to EUR 14.8 Million vs EUR 8 Million in 2006.

As at 31 December 2007	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenues	192 753	42 914	66 088	15 913	-18 439	299 229
Net gain from fair value adjustments on investment property	55 047	4 182	88 147	0	0	147 376
Other operating results	-192 523	-37 291	-49 036	-2 834	12 183	(269 501)
Operating result	55 277	9 805	105 199	13 079	-6 256	177 104
Financial result						-73 859
Profit before income taxes						103 245
Income taxes						-2 341
Net Profit						100 904
Attributable to minority interests						-13 396
Attributable to the group						87 508
Operating result	55 277	9 805	105 199	13 079	-6 256	177 104
Net gain on fair value adjustment	-55 047	-4 182	-88 147	0		-147 376
Amortization, impairments and provisions	7 558	5 227	4 189	53		17 027
Correction of COGS	9 019		8 821			17 840
Stock options	918	205	315	76		1 514
Adjusted EBITDA	17 725	11 055	30 377	13 208	-6 256	66 109

Operating result

2007 closes with a positive operating result of EUR 177.1 Million compared to EUR 134.2 Million in 2006. This result includes surplus on revaluation on assets.

Financial result

The net financial result 2007 amounts to EUR-73.9 Million vs EUR-11.3 Million in 2006. The expense of EUR-66.3 Million vs EUR-18.1 Million in 2006 corresponds to the group global financing charge which is to be split into EUR 45.4 Million of cash cost and EUR 20.9 Million in non cash cost. The cash interest rate of the global debt amounts to 4.72% vs 4.34% in 2006.

Interest income amounts to EUR 8.9 Million vs EUR 2.4 Million in 2006.

Foreign exchange result amounts to EUR -5.7 Million vs EUR -3.6 Million in 2006.

The other financial results amounting to EUR -10.7 Million (vs EUR 8 Million in 2006) are made of EUR -7.7 Million embedded derivatives on the bonds, on the SHH warrants and the other financial derivatives; EUR -6.9 Million in which charges linked to the GSG loan restructuring and EUR 3.9 Million mainly due to revaluation profit on the company's participation in the Endurance sub funds.

Tax

The global tax expense of the year amounts to EUR 2.3 Million vs EUR 25 Million in 2006. This result was positively impacted by the change in corporate income tax rates in the Czech Republic and in Germany foreseen in 2008.

b. Loan to value

Orco's net financial debt amounts to EUR 1,480 Million (bank indebtedness and bonds issued) as compared to EUR 651 Million in 2006. Cash and cash equivalents amount to EUR 258 Million vs EUR 98 Million in 2006.

The loan to value ratio reaches 49 % vs 40.3 % in 2006. This increase is mainly due to the leverage on the GSG portfolio (63.7 % LTV). Excluding GSG the LTV would be 45.8%.

	2007
Bonds	472,812
Non-current Financial debts	831,724
Current Financial debts	175,216
Current financial assets	-11,222
Cash and cash equivalents	-257,977
	1,210,553
Investment property	1,564,947
Hotels and own-occupied buildings	294,170
Properties under development	104,369
Non-Current Financial assets	82,182
Inventories	323,699
Revaluation gains on hotels and developments	101,610
	2,470,977
	49.0%

4.5.3. Annual statutory financial statements

Net Profit

2007 result closes with a profit of EUR 17.9 Million vs EUR 45.3 Million in 2006.

Turnover amounts to EUR 1.6 Million vs EUR 5.5 Million in 2006. The decrease of the turnover is linked to the transfer of the fund management activity to Endurance Real Estate Management Company S.A.

Financial result

Income from participating interests amounts to EUR 43.9 Million vs EUR 44 Million in 2006. This profit was generated by the sale of 25% of four equity participations to Endurance Residential fund generating a profit of EUR 16 Million. EUR 22.7 Million profit were generated by the liquidation of Orco Hotel Group S.A., Orco Hotel collection S.A. and MaMaison Residences S.A. and EUR 5.3 Million dividends were received from subsidiaries.

Interest charges amount to EUR 27 Million vs EUR 13.3 Million in 2006, the increase is linked to the new issued bonds while interest incomes amount to EUR 22 Million vs EUR 13.7 Million in 2006.

4.5.4. Shareholdings

Amount of share capital

As at 31 December 2007, the subscribed and fully paid-up capital of the Company of EUR 57,620,850.60 (2006: EUR 34,397,548.60) is represented by 14,053,866 shares (2006: 8,389,646) with an accounting par value of EUR 4.10 per share.

Capital rose by EUR 10 Million during 2007. Total share premiums paid in 2007 as part of the capital increases came to EUR 198.2 Million.

Capital ownership and voting rights as at 31 December 2007

To the best knowledge of the Company, the share capital and the voting rights as at 31 December 2007 were as follows:

Shareholders	Number of shares	% of capital	% of voting rights
Ott&Co	1 207 986	11.15%	11.15%
Bernard Gauthier	469 230	4.33%	4.33%
Jardenne Corporation S.à.r.l.	457 447	4.22%	4.22%
Public	8 702 131	80.30%	80.30%
Total	10 836 794	100.0%	100.0%

To the best knowledge of the Company and as at 31 December 2007 no shareholder holds more than 10% of the share capital of Orco Property Group except Ott&Co.

History of the principal shareholders for the last three years :

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Shareholders	% of share of capital	% of share capital	% of share capital
Years	31/12/2005	31/12/2006	31/12/2007
Ott&Co	17.19%	12.61%	11.15%
Bernard Gauthier	6.91%	5.59%	4.33%
Jardenne S.à r.l.	2.84%	4.18%	4.22%
Employees	0.30%	0%	0%
Treasury shares	0%	0%	0%
Others	72.76%	77.62%	80.30%
Total	100%	100%	100%

No voting trust exists as at 31 December 2007 except the agreement signed between Ott&Co and Jardenne s.à r.l. to vote in favour of the appointment of one director representing Jardenne if requested by Jardenne.

Transactions on treasury shares in 2007

The table hereafter summarizes the transactions realized by the Group in 2007 on its own shares.

	Acquisitions	Sales
Number of shares	182,568	33,166
Fair value in (KEUR)	18,705	2,694
Average prices (EUR)	102.45	81.23

Stock market performance

Shares of Orco Property Group S.A.

Change in share price and volumes traded:

	Low	High	Volume
2006	62.2	106.5	7,419,126
Jan-07	98	119	913,472
Feb-07	114.21	133.99	1,033,066
Mar-07	109.1	128	1,289,751
Apr-07	115	127.88	623,575
May-07	113.7	126.7	864,101
Jun-07	116	125.4	1,244,003
Jul-07	97	117.9	1,415,535

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Aug-07	96	115	1,421,258
Sep-07	101.15	113.44	1,080,707
Oct-07	105.5	115	781,868
Nov-07	82	108.94	1,224,208
Dec-07	80.5	92.98	907,393
Lowest/highest of the year	80.5	133.99	
Total annual transaction			12,798,937

Bonds with redeemable share subscription warrants

Change in bond price and volumes traded:

	Low	High	Volume
2006	15.49	49.9	1,056,324
Jan-07	42.72	62.1	149,190
Feb-07	59.1	74	46,600
Mar-07	59	68.6	49,618
Apr-07	65.5	72.5	110,976
May-07	63	77	25,470
Jun-07	65.31	73.9	7,548
Jul-07	49.85	72	13,335
Aug-07	46	63.4	30,647
Sep-07	51.5	62.49	28,718
Oct-07	55.1	66	16,487
Nov-07	49.2	68.19	4,544
Dec-07	42	54	1,158
Lowest/highest of the year	42	77	
Total annual transaction			484,291

Convertible bonds 2006-2013

Change in bond price and volumes traded:

	Low	High	Volume
2006	130	164.9	167,223
Jan-07	146	156	15,114
Feb-07	150	166	29,415
Mar-07	154.5	162	9,108
Apr-07	157.5	162	3,096
May-07	154.5	161	8,775
Jun-07	151	156.9	13,310
Jul-07	145	153	2,075
Aug-07	135	148	2,287
Sep-07	136	147	2,082
Oct-07	145	147	225
Nov-07	120.82	141.5	4,148
Dec-07	121	138.5	4,736
Lowest/highest of the year	120.82	166	
Total annual transaction			94,371

Distribution of dividends

The company set up a dividend distribution policy based, on the one hand, upon the long-term revenues obtained via its real-estate business, mainly rental income and on the other, upon short-term revenues obtained through its property development activity.

Shareholders at the General Meeting of 2007 approved the payment of a gross dividend of EUR 1 per each share held, payable in cash or in new shares, the price of the shares being set at EUR 111.91 .

A total dividend payment of EUR 8,646,673 was distributed. Shareholders holding a total of 4,669,978 shares opted for the free allotment of 36,834 new shares. Shareholders holding a total of 3,976,695 shares opted for payment in cash.

The appropriate tax treatment depends on the nature of the shareholder (individual or legal entity) and on his country of fiscal residency.

In general, tax law relating to any dividend distribution by a Luxembourg corporation to shareholders, who do not benefit from the application of dual-taxation conventions (including collective investment funds, investment funds with variable capital, insurance contracts, etc.) requires the application of a withholding tax of 20%.

In accordance with article 147 LIR, no tax will be withheld at the source if the beneficiary is a fully taxable Luxembourg company or an EU-resident company concerned by article 2 of the EEC Council directive of July 23rd, 1990 relating to the general fiscal regulations applicable to parent and subsidiary companies from different EU countries and if, on the date income is paid, the beneficiary holds or commits to holding directly for an uninterrupted 12-month period, a minimum of a 10% stake or at

least EUR 1,200,000 in the share capital of the company paying these revenues. Generally speaking, the tax withheld will be used to pay for a tax in the beneficiary's fiscal home country, if applicable, based on the gross dividend. Formalities vary from country to country.

French residents should ask their financial intermediary to provide them with the appropriate form.

The Board of Directors proposed the payment of a dividend of EUR 1.40 for fiscal year 2007, payable in cash or shares. This proposal must be approved by shareholders at the General Annual Shareholders' Meeting called to approve the 2007 accounts.

Directive 2004/25/EC of the European Parliament and of the Council of April 21st, 2004 on takeover bids – Luxembourg law of May 19th, 2006

In reference to the Luxembourg law of May 19th, 2006 the board especially states on the following points:

- (a) the structure of their capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents; the share capital of Orco Property Group is represented by only one class of shares which are all admitted for trading on the Paris stock exchange, the Prague Stock Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange .
- (b) any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC; there is no restriction on the transfer of securities
- (c) significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC: refer to paragraph 3 above on shareholding.
- (d) the holders of any securities with special control rights and a description of those rights; not applicable
- (e) the system of control of any employee share scheme where the control rights are not exercised directly by the employees; not applicable, the Group has no employee share scheme
- (f) any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities; there is no restriction on voting rights
- (g) any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC; no agreements
- (h) the rules governing the appointment and replacement of board members and the amendment of the articles of association; see articles of incorporation, board members are appointed by the shareholders, articles of associations can be modified by the shareholders through an extraordinary general meeting respecting the quorum foreseen by the Luxembourg corporate law
- (i) the powers of board members, and in particular the power to issue or buy back shares; see "authorized capital" in point 3 here above
- (j) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements; not applicable
- (k) any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases

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because of a takeover bid. A compensation scheme for part of the executive committee members exists in a total amount of 34 MEUR is in place in case members cease their contract in a period of 6 months after a change of control of the company.

Chapter 5 Directors, members of the board and employees

5.1. Management

5.1.1. Registered seat

Orco Property Group, *société anonyme*, with registered office at 40, Parc d'Activités Capellen, L-8308 Capellen, RCS Luxembourg B 44.996 (hereafter the « Company »).

5.1.2. Board of Directors

5.1.2.1. Members of the Board of Directors

The members of the Board of Directors are elected by the general meeting of shareholders for a period not exceeding six years. They are eligible for re-election and they may be removed at any time, with or without cause, by a resolution adopted by the simple majority of the general meeting of shareholders. The current mandate for the directors expires on the annual general meeting approving the 2012 annual accounts.

The Shareholders General Meeting held on April 26, 2010, renewed the mandate of the Company's Board of Directors. On 19 May 2010 S.P.M.B. a.s. a Czech legal entity represented by Ms Eva Janečková, acting as its permanent legal representative, announced to the Company its resignation from the Board of Directors. Following this resignation, the Board of Directors is comprised of 11 directors among which 7 are independent directors meaning they are not involved in management and are not employees or advisors with regular salary, or give professional services such as external audit, legal advisors, and also meaning that they are not related person or close relative of any management member or majority shareholder of the Company.

Directors	First appointment /ratification cooptation	Last appointment	Mandate termination
Jean-François Ott Director	09/09/93	26/04/10	End of annual general meeting approving the 2012 annual accounts
Nicolas Tommasini Director	29/04/04	26/04/10	End of annual general meeting approving the 2012 annual accounts
Ales Vobruba Director	08/07/09	26/04/10	End of annual general meeting approving the 2012 annual accounts
Bernard Kleiner Director (Independent)	08/07/09	26/04/10	End of annual general meeting approving the 2012 annual accounts

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			annual accounts
Alexis Raymond Juan Director (Independent)	08/07/09	26/04/10	End of annual general meeting approving the 2012 annual accounts
Robert Coucke Director (Independent)Ales	08/07/09	26/04/10	End of annual general meeting approving the 2012 annual accounts
Silvano Pedretti Director (Independent)	09/09/93	26/04/10	End of annual general meeting approving the 2012 annual accounts
Guy Wallier Director (Independent)	15/03/00	26/04/10	End of annual general meeting approving the 2012 annual accounts
Ott&Co S.A., represented by Mr Jean-François Ott, Director	29/04/04	26/04/10	End of annual general meeting approving the 2012 annual accounts
PROSPERITA investiční společnost, a.s., represented by Miroslav Kurka Director (Independent)	08/07/09	26/04/10	End of annual general meeting approving the 2012 annual accounts
GEOFIN, a.s., represented by Daniel Barč Director (Independent)	08/07/09	26/04/10	End of annual general meeting approving the 2012 annual accounts

The Company's General Meeting held on April 26, 2010, granted an authorization, in accordance with Article 13 of the Company bylaws, to the Board of Directors to delegate all or part of its powers regarding the daily management of the Company to Mr. Jean-François Ott to be appointed as managing director of the Company until the ordinary general meeting concerning the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2012. Following this authorization, the Board of Directors held on 20 May 2010, resolved to appoint Mr. Jean-Francois Ott as the Managing Director (administrateur delegue) of the Company and the Chairman of the Board of Directors until the ordinary general assembly of the Company concerning

the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2012.

Conduct

Subject to exemptions stated below and excluding any procedure related to subsidiaries of the Group, no member of the Board of Directors or the Executive Committee:

- was convicted of any fraudulent offences within five years prior to the date of this Registration Document;
- was associated with any bankruptcies, receiverships or liquidations of companies or partnerships of which he acted as a director or senior manager within five years prior to the date of this Registration Document;
- was officially and publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies) within five years prior to the date of this Registration Document.; or
- has been disqualified by a court from acting as a member of the administrative, executive or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, within five years prior to the date of this Registration Document.

Mr. Ott and Mr. Vobruba were members of the supervisory board of AQ OKNA a.s., a Czech company, which was declared bankrupt in 2009. Mr. Ott, Mr. Tommasini and Mr. Vobruba are directors in Orco Blumentalska, a.s. and Stein, s.r.o., Slovak companies which have been declared bankrupt in 2010, and Cybernetiski Business Park, a Polish Company, which has been declared bankrupt in 2010.

Mr. Silvano Pedretti was managing director of Biocafé s.r.o., a Czech company, which was put into voluntary liquidation in April 2010.

Information on potential conflicts of interest

Apart from their mandates as described below under section 5.1.2.2, the members of the Board of Directors have no further potential conflicts of interests between any duties to the Company and their private interests or other duties.

Third-party influence on the election of the members of the Board of Directors

The Board of Directors committed itself to propose at the next general meeting of the Company the election of two candidates among those presented by Lansdowne as members of the Board of Directors. If the candidates are elected, the Board of Directors committed itself to appoint them to all committees but the Remuneration Committee.

5.1.2.2. Other mandates of the Board of Directors' members

Only director mandates that are not linked to their roles on the Company's Board of Directors are listed below.

5.1.2.2.1. Independent directors

Bernard KLEINER

Residing at 36, rue du Président Wilson 92300 Levallois - France
No other declared mandates than in the Company

Alexis JUAN

Residing at 201, rue de Grenelle, 75007 Paris France
No other declared mandates than in the Company

Robert COUCKE

Residing at 64, rue de billancourt, 92100- Boulogne Billancourt- France
No declared other mandates than in the Company

Silvano PEDRETTI

Residing at Nad Petruskou 8a, CZ-12000 Prague 2,
EC s.a. (Luxembourg)
Director of biocafes, S.A. (Luxembourg)
Director of Euro-franchise S.A. (Luxembourg)
Director of AS 2000, s.r.o. (Czech Republic)
President of EC2009, association (Czech Republic)
President of Union des Français à l'Etranger, association (UFE cz Czech Republic)
President of Children of Europe, association (Czech Republic)
Conseiller du Commerce Extérieur, association (CCE Czech Republic)
No other declared mandates than in the Company

Guy WALLIER

Residing at 192 Avenue Victor Hugo 75116 Paris,
President of Compagnie Française de Participation Mobilière et Immobilière (CFPMI).
President of « L'action Sociale Immobilière »
No other declared mandates than in the Company

PROSPERITA INVESTIČNÍ SPOLEČNOST, a.s., represented by Miroslav Kurka

With registered office at Ostrava, Moravská Ostrava, Nádražní 213/10, PSČ 70200 (Czech Republic)
No other declared mandates than in the Company

GEOFIN, a.s., represented by Daniel Barc

With registered office at Ostrava, Moravská Ostrava, Velká 2984/23, PSČ 70200, (Czech Republic)
No other declared mandates than in the Company

5.1.2.2.2. *Executive Board Members*

Jean-François OTT, Chief Executive Officer and Founder of ORCO Property Group

With professional address at 25 rue de Balzac, F- 75406 Paris Cedex 08

Director of MALA STRANA (former ORCO PARIS S.A.).

Managing director de OTT&CO S.A.

Director of S.C.I. LA PRAGUOISE

Director of S.C.I. OTTAN

Director of MANHATTAN S.A.

Director of Novy Capital Partners S.A.

Director of CAP MINI S.A.

Director of JOHO COMPAGNIE S.a r.l.

Member of the Supervisory Board of AQ OKNA, a.s.

Director of Urso Verde S.A.

Vice Chairman of the Board of Directors of GREEN BEAR Corporation CR, a.s.

Director of NOVY WINDOWS S.A.

Director of EUROPEAN WINDOWS S.A.

Director of OTT & Co. FINANCE S.A.

Chairman of the Board of Directors of C INVEST, a.s.

Managing Director of BEARS PRAGUE, s.r.o., v likvidaci (in voluntary liquidation)

Chairman of the Board of Directors of EASYDENTIC CENTRAL EUROPE, a.s.

Director of Bears and Sons S.A.

No other declared mandates than in the Company (incl. its subsidiaries)

Nicolas TOMMASINI, CFO and Deputy CEO of Orco Property Group

With professional address at 25 rue de Balzac, F- 75406 Paris Cedex 08

Director of JOHO COMPAGNIE S.à R.L.

Director of TOMSAFE

No other declared mandates than in the Company (incl. its subsidiaries)

ALEŠ VOBRUBA, Managing Director of ORCO Central Europe

With professional address at Luxembourg Plaza, Premyslovska 2845/43, 130 00 Prague 3, Czech Republic

Managing Director of BEARS PRAGUE, s.r.o., v likvidaci (in voluntary liquidation)

Chairman of the Board of Directors of Green Bear Corporation CR, a.s.

Chairman of the Supervisory Board of EASYDENTIC CENTRAL EUROPE, a.s.

No other declared mandates than in the Company (incl. its subsidiaries)

OTT&CO S.A., represented by Jean-François Ott, director

With registered seat at Parc d'Activités Capellen, 38 L-8308 Capellen

Shareholder of the Company

Managing director of Etoile d'Or S.A.

Director of Green Bear S.A.

No other declared mandates than in the Company (incl. its subsidiaries)

5.1.2.3. *Committees*

The Board of Directors held on 7 September 2009 resolved to create the following committees:

- Audit Committee
- Remuneration, Appointment and Related Party Transaction Committee

- Restructuring Committee
- Investment and Development Committee

The Board of Directors appointed members of these committees. Independent and non – executive directors are a significant part of these committees. The Board of Directors held on 20 May 2010 resolved to (i) confirm the existence of the below committees of the Board of Directors and (ii) renew the appointment of their members.

5.1.2.3.1. Audit committee

Members of the Audit Committee are Mr. Bernard Kleiner (Chairman), Mr. Silvano Pedretti, Mr. Alexis Juan and Mr. Nicolas Tommasini.

The Audit Committee reviews the Group's accounting policies and communication of financial information. Since the appointment of the current Audit Committee, there were two meetings in 2009 and seven meetings in 2010.

5.1.2.3.2. Remuneration, Appointment and Related Party Transaction Committee

Members of the Remuneration, Appointment and Related Party Transaction Committee (**"Remuneration Committee"**) are Mr. Guy Wallier (Chairman), Mr. Robert Coucke and Mr. Jean-François Ott.

The Remuneration Committee presents proposals to the Board of Directors about remuneration and incentive programmes to be offered to the management and the Directors of the Company. Remuneration Committee also deals with related parties transactions. Since the appointment of the current Remuneration Committee, there have been two meetings in 2009 and one meeting in 2010.

5.1.2.3.3. Restructuring Committee

Members of the Restructuring Committee are Mr. Alexis Juan (Chairman), Prosperita investicni spolecnost, a.s. represented by Mr. Miroslav Kurka, Mr. Ales Vobruha and Mr. Jean-François Ott.

The Restructuring Committee focuses on restructuring, cost cutting and other saving efforts within the Group. Since the appointment of the current Restructuring Committee, there was one meeting in 2009 and one meeting in 2010.

5.1.2.3.4. Investment and Development Committee

Members of the Board of Director's Investment and Development Committee are Mr. Silvano Pedretti (chairman), Mr. Robert Coucke, Mr. Ales Vobruha and Mr. Nicolas Tommasini.

There was no meeting of the Investment and Development Committee in 2009 and two meetings in 2010.

5.1.2.4. Extract of Articles of Association (Articles 9 to 16)

Article 9 .- Board of Directors

The Company shall be managed by a Board of Directors made up of at least three members, who each need to hold at least one share of the Company.

The Board of Directors represents the Company towards third parties and at law, either as claimant or as defendant. Writs served for or against the Company shall be validly made in the name of the sole Company.

The Directors shall be appointed by the General Meeting for a period of office not exceeding six years; they shall be eligible for re-election and may be removed at any time by decision of the General Meeting resolving at the simple majority of votes.

In the event of a vacancy in the office of a Director, the remaining Directors may provisionally fill such vacancy, in which case the General Meeting of shareholders shall proceed to the final election at the time of its next following meeting.

Where there happens to be five offices of Director vacant however, the Chairman and General Manager, and lacking this the senior Director then in office, shall be bound to convene an Extraordinary General Meeting for the purpose of renewing the Board of Directors.

Article 10 .- Directors may be either natural persons or legal entities

Legal persons appointed as Directors must, as soon as they apply for an office in a capacity as Director, designate a representative, who shall be a natural person, who shall attend meetings of the Board of Directors in their name. Such representative shall be subject to the same conditions and obligations and shall incur the same liability as if he had been appointed as Director in his own name, without prejudice to a joint and several liability of the legal person he represents. The power of attorney evidencing the fact that he is empowered to validly represent and to commit the said legal entity for his period of office must be handed over to the Company at the time the Board of Directors is appointed.

The power of attorney of the agent of the legal person must be renewed at the time of each and any renewal of the Board of Directors.

In the event that the legal person would revoke the power of attorney of its representative, it shall be bound to notify such dismissal to the Company without delay by registered letter, and to include in such letter the identity of its new representative. The same applies in the event of the death, resignation or lengthy impediment or prevention of the permanent representative.

Any employee of the Company may be appointed Director of the Company subject to his employment contract being executed prior to his appointment, and corresponding to an actual employ. The number of Directors linked to the Company by an employment contract may in no event exceed one third of the Directors in office.

Article 11 .- Powers of the Board of Directors

The Board of Directors is empowered to carry out all and any acts deemed necessary or useful in view of the realisation of the corporate purpose; all matters that are not reserved for the General Meeting by law or by the present Articles of Association shall be within its competence.

In its relationship with third parties, the Company shall even be bound by acts exceeding the Company's corporate purpose, unless it can prove that the third party knew such act exceeded the Company's corporate purpose or could not ignore this taking account of circumstances.

The Directors do not contract any personal obligation with regard to the commitments of the Company.

The Directors however remain responsible towards the Company in accordance with common law as regards the due discharge of their duties as given and any faults committed along their period in office.

The Directors shall be jointly and severally liable, either towards the Company or towards third parties, for all and any damages resulting from infractions to the provisions of the law of 10 August 1915, as subsequently amended, or to the present Articles of Association. They may only be granted discharge from such liability, as regards infractions to which they have taken part, if no fault may be attributed to them and they have denounced such infractions before the next following General Meeting as soon as they have had cognisance of such infractions.

Article 12 .- Deliberations

The Board of Directors may only deliberate if the majority of its members are present or represented, a proxy between Directors, which may be given in writing, by telegram, telex or fax being admitted. In cases of emergency the Directors may vote in writing, by telegram, telex, fax, electronic signature or by any other secured means.

The decisions of the Board of Directors shall be taken at a majority of votes; in case of a tie, the Chairman of the meeting shall have a casting vote.

Resolutions signed by all the members of the Board of Directors shall be just as valid and enforceable as those taken at the time of a duly convened and held meeting of the Board.

The Secretary shall make sure to get a specimen of the signatures of all Directors, and the Chairman and General Manager shall check that they correspond to those affixed on all and any documents signed outside of meetings.

Article 13 .- Delegation of powers, Managing Directors

The Board of Directors may delegate all or part of its powers regarding the daily management as well as the representation of the Company with regard to such daily management to one or more Directors, who need not be shareholders. Are likewise included in the daily management of the Company the realization and the pursue of all transactions and operations basically approved by the Board of Directors. Within this scope, acts of daily management may include particularly all management and provisional operations, including the realization and the pursue of acquisitions of real estate and securities, the establishment of financings, the taking of participating interests and the placing at disposal of loans, warranties and guarantees to group companies, without such list being limitative.

Any such delegation to a member of the Board of Directors shall be subject to the prior approval of the General Meeting, and any delegation must be filed with the Luxembourg Trade and Companies Register in accordance with the provisions of Article 9 of the law of 1915, as subsequently amended.

The Board of Directors shall likewise designate a Secretary, including outside the Board of Directors. The Secretary shall be in charge of convening the Directors to the meetings of the Board of Directors, of keeping the register of attendance, of ensuring the drawing of minutes of any meetings, and to deliver requested copies or abstracts of the same.

In the event of the absence or impediment of the Managing Director, the Board of Directors shall designate at the time of each meeting the one of its members who shall act as Chairman of the meeting. Barring another agreement, the most senior Director shall chair the meeting.

The Managing Director and Secretary shall be at all times eligible for re-election.

Article 14 .- Signatory powers within the Board of Directors

The Company shall be validly bound either by the joint signatures of any two Directors or by the single signature of a Managing Director.

Article 15 .- Compensation of the Directors

The General Meeting may allocate to the Directors, as compensation for their activity, an amount to be set on a yearly basis through the allocation of Directors' fees, which amount shall be charged as overall costs of the Company.

The Board of Directors shall share such compensation among its members as it sees fit.

It shall set the compensation of the Chief Executive Officer and of the other members of the Board of Directors; such compensation may be fixed or proportional or both fixed and proportional at the same time.

Exceptional compensations may be granted by the Board of Directors for missions or mandates entrusted to Directors, which shall be considered as operating charges and thus subject to the approval of the General Meeting.

No other compensation, whether or not permanent, other than those provided for herein may be granted to the Directors unless they are bound to the Company by an employment contract.

Article 16 .- Agreement between the Company and one of its Directors

Any Director who has an interest opposed to that of the Company in an operation subject to the approval of the Board of Directors shall be bound to inform the Board of such contrary interest and to have his statement mentioned in the minutes of the meeting, and he shall not take part in the debate on such operation.

A special statement shall be made before the next following General Meeting, prior to any vote on other resolutions, regarding operations in which one of the Company's Directors might have had an interest contrary to that of the Company.

In particular, and as regards agreements entered into by the Company and one or more of its Directors, acting in their personal name or in the name and for the account of a third party, the said Directors shall be prevented from taking part in the vote thereon.

5.1.2.5. Performance of the Board of Directors

No particular measures have been set up concerning the performance of the Board of Directors.

During the financial year ended 31 December 2009, 15 Boards of Directors meetings were held physically in 2009. In first half of 2010, 11 Board of Directors meetings were held. The majority of the directors were present or represented.

5.1.3. Management of Orco (Executive Committee)

The Management of Orco is also known as the Executive Committee. As of the date of this registration document, the Company's Executive Committee consists of the following members:

- Mr. Jean-Francois Ott, 45, Chief Executive Officer, with professional address at 25 rue de Balzac, F- 75406 Paris Cedex 08
- Mr. Nicolas Tommasini, 39, CFO and Deputy Chief Executive Officer, with professional address at 25 rue de Balzac, F- 75406 Paris Cedex 08
- Mr. Ales Vobruha, 50, Managing Director of ORCO Czech Republic and ORCO Slovakia, with professional address at Luxembourg Plaza, Premyslovska 2845/43, 130 00 Prague 3, Czech Republic
- Mr. Yves Désiront, 38, Chief Financial Officer Orco Property Group S.A., with registered seat at Parc d'Activités Capellen, 40, L-8308 Capellen
- Mr. Martin Gebauer, 39, Commercial Investment Properties Director, with professional address at Luxembourg Plaza, Premyslovska 2845/43, 130 00 Prague 3, Czech Republic
- Mr. Ogi Jaksic, 36, Development Director, with professional address at Luxembourg Plaza, Premyslovska 2845/43, 130 00 Prague 3, Czech Republic

The members of the Executive Committee are meeting on a regular basis to review the operating performances of the business lines and the containment of the operating expenses. The Executive Committee members are also the permanent members of the management investment committee which is the governing body for all management decisions or preparation of committees analysing the acquisition, sale or development of any real estate asset. A new procedure has been established on the basis of the business lines' management formalizing the decision chain and triggers.

Jean-François Ott, born in 1965, founded Orco Property Group S.A. in 1991 is today the Chief Executive Officer, President and Chairman of the Board of Directors. Mr. Ott served 18 months in South Korea for the French group Framatome, before starting a successful career as a derivatives trader in Paris. Based in Paris, he is responsible for Orco Property Group's strategy, new business

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development, group finance issues as well as banking and investor relations. Mr. Ott has 18 years of experience both in real estate development and business in Central Europe. He was only 26 years old when he started Orco Property Group in 1991, purchasing its first office building in Prague. Thanks to this long experience, having lived seven years in Prague as well as extensive and continuous travel in the region, Mr. Ott is well acquainted with each country, market and the main players in Central Europe. He was also responsible for launching new Orco Property Group subsidiaries in Budapest, Warsaw, Bratislava, and most recently in Split, Zagreb, Moscow, Belgrade. He was also in charge of developing new activities such as residential buildings, extended stay hotels and luxury hotels. In nearly twenty years of experience, he has acquired, developed and financed more than 100 projects. Mr. Ott is also the representative and managing director of Ott & Co. S.A., which is a member of the Board of Directors of Orco Property Group S.A. and ORCO Germany S.A. Mr. Ott's graduated in Finance and Economics from the Political Sciences Institute and the Owners Directors Program at INSEAD. Married to Corinne, who is originally from Texas and has two children and speaks fluently French, English and German.

Nicolas Tommasini, CFO and Deputy CEO of ORCO Property Group was involved in business development in Eastern and Central Europe prior to joining Orco Property Group. Mr. Tommasini works for Orco Property Group since 1997 and he has held several senior roles since then. He was, amongst others, responsible for the Group international development based in Prague, and first Country Manager of Orco Hungary in 2000. He was appointed CEO of MaMaison Residences at the end of 2002 and led MaMaison and Orco international development. In 2003 he was also named Vice President in charge of hospitality division for Orco Property Group, and Managing Director of the Endurance Hospitality Fund, based in Prague. End 2007, Mr. Tommasini was named responsible for strategy and special projects of the group, based in Paris. Since 2009, Mr. Tommasini serves as Deputy CEO and CFO. Mr. Tommasini manages the investment and partnership transaction, overlooks ORCO Germany where he is a member of the board of director, Financial Reporting & Consolidations, Group Cash Management, leads local countries' CFOs, heads Group Legal and Group Business Planning and Investor Relations functions.

Mr. Tommasini, a French native, holds a degree in political science from the Institut d'Etudes Politiques de Paris and an MSc in International finance from Lancaster University. Mr. Tommasini, born in 1971, lives in Paris, is married and has three children.

Ales Vobruba, Managing Director of ORCO Central Europe, joined Orco Property Group in 1995. Seated in Prague, he held several senior positions within Orco Property Group in CEE region. Nowadays, his main responsibilities are Bank Financing and Development Strategy within the Orco Property Group as well as managing day to day operations of Czech and Slovak office. He also is a member of the Board of Directors of ORCO Germany S.A.

Before starting work with Orco Property Group, Mr. Vobruba worked in PZO Artia, Dopravni Stavby Olomouc and TAP / ARC (construction and advertising).

Mr. Vobruba, a Czech native, studied foreign trade at VSE (economical university) in Prague. Mr. Vobruba, born in 1959, is married and has two children.

Yves Désiront, Chief Financial Officer of Orco Property Group S.A., graduated as Ingénieur Commercial of I.C.H.E.C. Brussels. Mr. Désiront joined Orco Property Group in 2005 after a 7 year position as Head of Consolidation in Groupe Bruxelles Lambert a Belgian holding company listed on Euronext Brussels and a three year middle management position at Générale de Banque (Fortis). Mr. Désiront is heading the consolidation, Group treasury management, controlling and business intelligence departments. With his teams, he is responsible for the establishment of all internal and external financial reporting. He is also supporting the Group CFO in its various responsibilities.

Martin Gebauer is Commercial Investment Properties Director. Before joining the Group in 2003, Mr. Gebauer was a financial director of a British hospitality group in Spain. Prior to that he spent five years with Ernst & Young assurance services in the Czech Republic and United States. He is a member of the Association of Certified Accountants in Great Britain and holds an MSc in Economics and Management of Civil Engineering from the Czech Technical University, with graduation from the City University of London.

Ogi Jaksic is Development Director. Graduated from the University of Economics from Banjaluka, Serbia, and followed a European Executive MBA in Finance at the ESCEM Group School of Business and Management. For his entire career he has been active in real estate development in the Czech Republic. He joined ORCO from AFI Europe, a member of Africa Israel Group, the largest Israeli developer and one of the largest Central European real estate developers with activities in the Czech Republic, Romania, Serbia, Bulgaria, Germany and Poland, where he worked for nearly ten years as Commercial and Development Director for the Czech Republic and Slovakia.

5.2. Remuneration and Benefits

5.2.1. Board of Directors

In November 2009, the Board of Directors approved the remuneration that the board members will receive, except the Executive Board Members:

- (i) a payment of EUR 1,000 per board member for all physical board meetings that are held where that Board member is in attendance (not for circular board resolutions);
- (ii) a payment of EUR 1,000 per committee member for all committee meetings that are held where that committee member is in attendance (not for circular committee recommendations);
- (iii) a payment of EUR 1,500 per committee president for all committee meetings that are held where that committee Chairman is in attendance (not for circular committee recommendations); and
- (iv) a payment of EUR 4,500 for the President of an Ordinary General Assembly or an Extraordinary General Assembly. This sum will not include the President's reasonable expenses and fees in preparing for the Ordinary or Extraordinary General Assembly, which he may invoice to the Company for reimbursement. In the event that the Ordinary or Extraordinary General Assembly is not held, but that the President prepared for the meeting, the President will be entitled to an indemnification of € 1,500.

The application of the President's payment of EUR 4,500 per Ordinary or Extraordinary General Assembly will be retroactively applied to January of 2009. All other payments referenced in this Resolution will only be retroactive until 1 July 2009. All payments will be made on a quarterly basis.

For their attendance at board meetings, entitled board members received an aggregate amount of EUR 86,000 for first half of 2010, EUR 50,500 for 2009, none for 2008 and of EUR 28,000 for 2007.

5.2.2. Executive Committee

A global consideration giving a short term employee benefit to the members of the Executive Committee amounting to EUR 4.5 Million as at 31 December 2009 (EUR 6.4 Million in 2008 and EUR 9.6 Million in 2007), out of which EUR 2.8 Million relate to formal Executive Committee members with EUR 0.6 Million as severance payments and EUR 0.2 Million that will only be paid at the termination of the contract of current Executive Board Members.

5.2.3. Employee stock options

No new stock option plan was granted in 2009 or in 2008.

Movements in the number of share options:

	2009		2008	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
Outstanding at the beginning of the year	75.60	63,000	75.60	63,000
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-3,000	-	-
Outstanding at the end of the year	75.60	60,000	75.60	63,000

	2007		2006	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
Outstanding at the beginning of the year	73.67	367,500	35.00	117,000
Granted	-	-	75.60	350,000
Exercised	73.27	-304,500	35.00	-99,500
Outstanding at the end of the year	75.60	63,000	73.67	367,500

On 3 March 2006, a stock option plan was set up by the Company Board of Directors for employees for a total number of 350,000 options exercisable at EUR 75.6 per share for the period between 3 March 2007 to 3 March 2012.

5.2.4. Pension, retirement or similar benefits

In the Group, only Viterra Development GmbH and Viterra Baupartner GmbH have defined benefit plans. These plans are so-called book reserve plans, where there is no separate vehicle to accumulate assets to provide for the payment of benefits. Instead, the employer sets up a book reserve (provision) in its balance sheet.

The amount of pension benefit that an employee will receive on retirement usually depends on one or more factors, such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of good investment grade corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

As at December 2009, the total amount of liabilities accrued in respect of the retirement benefit obligations amount to EUR 9.8 Million. In a decision taken on 3 March 2006, the Board of Directors of the Company granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 million. As a result of the reduction of the number of persons covered by this termination agreement as at 31 December 2009, the potential termination indemnity payment amounted to EUR 16 million (as at 31 December 2008: EUR 19 million). This indemnity would become payable by the Company to the relevant management member only in case of change

of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

5.3. Shareholders

The corporate capital is set at fifty-seven million six hundred twenty thousand eight hundred and fifty euro and sixty cents (EUR 57,620,850.60) represented by fourteen million fifty-three thousand eight hundred sixty-six (14,053,866) shares without nominal value, as of the date of this registration document. There is no nominal value and the accounting par value (the “par value”) amounts to EUR 4.10 per share.

The corporate capital may be increased up to an amount of three hundred million and one euro and twenty cents (EUR 300,000,001.20).

All the shares issued by the Company are fully paid and have the same value. The shares will be either in the form of registered or bearer shares, as decided by the shareholder, except to the extent otherwise provided by law or described in the Securities Note.

The shareholders can freely sell or transfer the shares. The shares are indivisible and the Company only recognizes one holder per share. If there are several owners per share, the Company shall be entitled to suspend the exercise of all rights attached to such shares until the appointment of a single person as owner of the shares towards the Company. The same shall apply in the case of usufruct and bare ownership or security granted on the shares.

The joint owners of shares shall be represented within the Company by one of them, considered as sole owner or by a proxy, who in case of conflict may be legally designated by a court at the request of one of the owners.

Share capital and voting rights of the Company, see section 4.3.4.

The Company’s articles of association require any shareholder crossing either up or down the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33%, 50% and 66% of the aggregate voting rights in the Company to inform the Company of that fact.

According to the Luxembourg law of 11 January 2008 relating to the transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, any shareholder who acquires or disposes of shares shall notify the Company of the proportion of voting rights of the issuer held by the shareholder as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3% .

Having taken all reasonable care to ensure that such is the case and to the best of its knowledge, the Company was informed that the Board members and the Executive Committee member held as of the the date of this Registration Document the number of shares mentioned below:

Jean-François OTT: 33,557

Nicolas TOMMASINI : 10,000

Ales VOBRUBA: 16,887

Bernard KLEINER : 1

Alexis JUAN: 1

Robert COUCKE: 352

Silvano PEDRETTI: 100,000

Guy WALLIER: 4,550

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Jean-François OTT via Ott&Co: 178,251
SPMB a.s. : 1
PROSPERITA INVESTIČNÍ SPOLEČNOST, a.s.: 50
GEOFIN a.s.: 1
Yves DESIRONT: 0
Martin GEBAUER: 0
Ogi JAKSIC: 0

Ott&Co S.A. is a limited Luxembourg company existing and incorporated under the law of Luxembourg. Its main but not exclusive activity consists in taking participations in Luxembourg and foreign companies. Ott&Co S.A. holds other participations which are not linked to the Company. None of the other participations have an activity similar to the Company.

Having taken all reasonable care to ensure that such is the case and to the best of its knowledge, the Company was informed that the board members held directly or indirectly as of the the date of this registration document the number of 2014 Warants mentioned below:

Jean-François OTT: 1,067,553
Nicolas TOMMASINI: 208,271
Ales VOBRUBA: 251,672
Silvano PEDRETTI: 631
Yves DESIRONT: 2,000
Martin GEBAUER: 17,780

Having taken all reasonable care to ensure that such is the case and to the best of its knowledge, the Company was informed that Nicolas TOMMASINI indirectly held, as of the the date of this registration document 1,500 2013 Convertible Bonds.

Having taken all reasonable care to ensure that such is the case and to the best of its knowledge, the Company was informed that the board members held directly or indirectly as of the the date of this registration document the number of Orco Germany Warants mentioned below:

Jean-François OTT: 799,000
Nicolas TOMMASINI: 799,000

To the Company's best knowledge, no shareholder holds more than 10% of its share capitalsince the three capital increases dated April 2010 as further described under section 4.3.4 Shareholding. To the Company's best knowledge no shareholder agreement has been entered into by the shareholders of the Company.

5.4. Employees

Remuneration is provided at the standard market rate. The Company has also granted stock option plans to its employees. (See 5.2.2.3. Employee stock option).

	2010	2009	2008	2007
Number of employees	2,273*	2,151	2,741	2,011

*the Figure as at 30 June 2010, including seasonal and temporary employees in the hospitality sector.

5.5. *Corporate governance*

Good corporate governance improves transparency and the quality of reporting, enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. Although there are no mandatory rules on corporate governance applicable to companies incorporated in Luxembourg, the Company is implementing corporate governance rules inspired by the recommendations applicable in Luxembourg as well as legislation and regulations applicable in France, the Czech Republic, Hungary and Poland insofar as they apply to the Company. The Company is committed to industry best practices with respect to corporate governance. Integrity and ethical behaviour within the Company are all the more important because of the trust our shareholders and our clients place in us.

As a motto, the Company follows the objective to protect the general interests of its shareholders by ensuring its sustainable development.

Corporate governance improvement has been a top priority for the Company. The management reports significant progress made in 2009 in this area. In addition to the measures already implemented (accounts audited since 1991, asset portfolio assessed by DTZ, an independent expert), it should be noted that the Company decided from the year 2010 to apply the best practices recommended by the European Public Real Estate Association (EPRA), of which the Company has been a member since 2009, and which major listed real estate companies in Europe follow.

According to Article 17 of the Law of 9 May 2006 on Market Abuse, persons holding managerial responsibilities within an issuer having its registered office in Luxembourg or by persons closely associated with them, have to notify to the CSSF and to the issuer all transactions related to shares admitted to trading on a regulated market, or to derivatives or other financial instruments linked to them, conducted on their own account. The disclosure is to be made to the CSSF within five business days following the conclusion of each individual operation. The information must be accessible to the public.

The Company, its board members and its Management comply with all the corporate governance requirements applicable in Luxembourg.

Chapter 6 Major shareholder and related party transactions

6.1. Major Shareholders and voting rights

All the shares issued by the Company are entitled to one vote per share. None of the Orco Property Group's principal shareholders has voting rights different from any other holders of the Company's Shares.

See section 4.3.4 Shareholding and section 5.3 Shareholders.

6.2. Related party transactions

Transactions with key management personnel

Remuneration of key management personnel

The members of the Executive Committee are considered as the key management personnel of the Company. In 2008 until February 2009 it was made of 20 people. After the restructuring of the group management and the alignment of its structure with the business lines, the Executive Committee has been reduced to six executive managers.

The global consideration given as short term employee benefit to the members of the Executive Committee amounted to EUR 4.5 Million as at 31 December 2009 (EUR 6.4 Million in 2008), out of which EUR 2.8 Million relate to former executive committee members with EUR 0.6 Million as severance payment and EUR 0.2 Million will only be paid at the termination of the contract of current executive board members.

Beginning of 2008, the Board of Directors decided to grant an attendance fee of EUR 5,000 only to non-executive members. End of 2008, the Board of Directors decided unanimously to cancel all attendance fees related to the year 2008.

In November 2009, the Board of Directors of the Company decided to modify the remuneration plan for board, committee and general meeting attendances that applies to all Board members except the management who is paid by the Company. According to the remuneration plan, a compensation of EUR 1,000 is granted to each Board member and Committee member for the attendance to all physical Board and Committee meetings. A compensation of EUR 1,500 is granted to the Committee president for the attendance as president to all Committee meetings. EUR 4,500 is granted to compensate the President presiding an ordinary and extraordinary general meeting of shareholders and such compensation is retroactively applied to January 2009. All other compensations are retroactively applied since 1 July 2009 and amount to EUR 50,500 for 2009, including presidency compensations. In respect of the bylaws requiring that each Board member must hold at least one share of the Company, one share has been granted for free to each Board member that was not holding previously the required share.

Based on the Remuneration and related parties committee dated 17 November 2009 and following a decision of the Board of Directors of the Company taken on 18 November 2009, the Company attributed in December 2009 an aggregate amount of 833,084 warrants 2014 (ISIN: XS0290764728) issued by the Company ("Company warrants") and an aggregate amount of 1,598,000 warrants (ISIN: XS0302626899) issued by its subsidiary Orco Germany S.A. ("Orco Germany warrants") as an incentive remuneration to the three executive Board Members for a total amount of EUR 990 thousand. This incentive remuneration has been paid to the above mentioned executive Board Members as a result of their commitment and achievements in restructuring Orco Property Group through the past year. For the purpose of such attribution, on the basis of external advice, the Board of Directors has taken in consideration 1) the market value of the instruments amounting to EUR 1.22

for the 2014 warrant; 2) the intrinsic value of the warrants based on the underlying Company stock price as at 17 November 2009 which priced the 2014 Warrant at EUR 1.17 and the Orco Germany warrant at EUR 0.01; and 3) the very low trading liquidity of those instruments. The transaction has been recorded as an expense under employee benefits for a total amount of EUR 3.5 million on the basis of a fair value report prepared by an external consultant pricing 2014 Warrant at EUR 4.21 and Orco Germany warrant at EUR 0.01 at the date of 18 November 2009.

In a decision taken on 3 March 2006, the Board of Directors of the Company granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 Million. As a result of the reduction of the number of persons covered by this termination agreement as at 31 December 2009, the potential termination indemnity payment amounted to EUR 16 Million (as at 31 December 2008: EUR 19 Million). This indemnity would become payable by the Company to the relevant management member only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

Loans and advances with key management personnel

On 4 December 2008, the Company granted a seller's financing of EUR 1.4 Million (which is fully impaired as of 31 December 2009 as a result of the termination of the consulting contract with that company) to Vignette Investissements S.A., a French company managed by Keith Lindsay, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company, incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance is granted for a period of 7 years ending on 31 December 2015 and bears an interest rate of 5% per year payable annually.

On 18 July 2007, CJSC MOPT(s)R-MOLCOM, a subsidiary of the Company, has granted a loan RUR 28 Million to one of its Director (equivalent EUR 0.7 Million as at December 31 2008 and EUR 0.8 Million as at 31 December 2007). Considering the addendum dated 21 January 2009, this loan has a maturity date on 21 January 2012 and bears an interest rate of 10% per year payable at repayment date. The loan of RUR 28 Million has been repaid by the Director to CJSC MOPT(s)R-MOLCOM on 20 August 2009.

On 15 May 2008, the Company granted a loan of USD 825,000 to Urso Verde S.A., a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of 15 May 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a forest in Chile in order to launch an 'Endurance forest fund' in conjunction with Orco and the Endurance Fund, which failed due to the current financial context. On 30 April 2009, Urso Verde S.A. pledged 90,660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt (collateralized debt) and the Company exercised its pledge on 15 June 2009. On 28 and 31 August 2009, the Company sold 90,000 of the shares for an aggregate amount of EUR 812,250 (sale proceeds). Pursuant to the Share Pledge Agreement, the shares remaining after Urso Verde S.A.'s debt has been reduced to zero shall be returned unencumbered. Urso Verde S.A. requested return of the surplus EUR 132,298 in the form of shares. On 27 December, 2010, 660 OPG shares were transferred by the Company to Ott&Co pursuant to an instruction of Urso Verde S.A., in accordance with the share pledge agreement dated 30 April, 2009, entered into between Urso Verde S.A. and the Company.

On 22 February 2007, the Company has granted a loan of EUR 216,068 to OTT&CO S.A. (previously Orco Holding). This loan had a maturity date on 1st March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 31 December 2009, this loan (nominal and interests) had not been repaid (the "OPG Receivable").

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On 24 March 2010, Urso Verde S.A., OTT & CO S.A. and the Company have agreed to restructure their debts described in the previous two paragraphs. The Company and Urso Verde S.A. agreed, that the Company shall return to Urso Verde S.A. surplus of EUR 132,298 left after sale of the shares in cash instead of returning of the shares, and that this amount shall bear an interest of 9% per year from 1 September 2009 until repayment (the “Urso Verde Receivable”). On 24 March 2010, Urso Verde S.A. assigned the Urso Verde Receivable amounting to a total of EUR 138,985 (EUR 132,298, plus interest of EUR 6,687 as of 24 March 2010) to OTT&CO S.A. The Company and OTT & CO S.A. agreed to offset the Urso Verde Receivable amounting to EUR 138,985 with the OPG Receivable, amounting to EUR 276,058 (EUR 216,068 principal, plus interest accrued of EUR 59,990) as of 24 March 2010, leaving EUR 137,073, being the outstanding principal of the OPG Receivable as of this date.

On 30 November 2010, Orco Charter d.o.o, OTT & CO S.A. and the Company have agreed to further restructure their debts. Orco Charter, a wholly owned subsidiary of OTT & CO S.A., was owed by Blue Yachts, a 70% subsidiary of Suncani Hvar, itself a subsidiary of the Company, an amount of EUR 180,315.58 as of 30 November 2010. As of that date, Orco Charter d.o.o. was also owed the amount of EUR 617.75 by Orco Adriatic d.o.o. a 100% owned subsidiary of the Company. Orco Charter assigned to OTT & CO S.A. its receivable against Blue Yachts amounting to EUR 180,315.58 and also the receivable against Orco Adriatic d.o.o. amounting to EUR 617.75 (these receivables jointly the “Orco Charter Receivables”) effective 30 November 2010. OTT & CO S.A. further assigned the Orco Charter Receivables to the Company for a consideration of EUR 180,769.30 (the “Ott & Co Receivable”) to be offset with the OPG Receivable (described above) against OTT & CO S.A, amounting a total of EUR 145,555.87 (EUR 137,072.40 principal, plus EUR 8,483.47 interest accrued) as of 30 November 2010. As such, the OPG Receivable against OTT & CO S.A. pursuant to the loan of 22 February 2007 was cleaned on 30 November 2010.

On 16 February 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on 1 March 2008 and with interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 13,333 new shares of Orco Germany S.A. As at 31 December 2009, this loan has not been repaid yet. The loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis. Litigation is pending in front of Luxembourg court.

Mr Steven Davis also benefited from a loan of CZK 1,520,000 (EUR 56,438) from Orco Project Management s.r.o. (now Orco Prague, s.r.o.), a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31 December 2008. The Company has launched legal action to recoup this receivable. This loan has been fully impaired as at 31 December 2009. Litigation is pending in front of Prague 4 district court.

Other transactions with key management personnel

On 2 October 2008, a company owned by Jean-François Ott, has transferred to the Company 71,860 exchangeable bonds in Suncani Hvar shares in exchange of 90,720 shares of the Company. The exchangeable value amounted to EUR 1,870,519.

In 2008, apartments built by the Group in the Czech Republic have been sold to one member of the executive committee for a total amount of EUR 0.3 million with an average discount of 6.0% compared to market conditions. The sale of these apartments to the member of the executive committee has been cancelled in 2009 and therefore was never been transacted. In 2009, two real estate assets were sold to two members of the Executive Committee for a total amount of EUR 0.4 Million with no discount.

The Company has an investment in NOVY Fund, a related party of some members of the key management personnel. The cost of such investment amounts to EUR 1.4 Million as at 31 December

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2009 (EUR 1.4 Million as at 31 December 2008) and its fair value amounts to EUR 0.3 Million as at 31 December 2009 (EUR 0.5 Million as at 31 December 2008).

As per a December 2007 transaction, 788,804 Company warrants were received in January 2008 from OTT&CO S.A. as settlement of its debt for an amount of EUR 12,104,863. Those warrants, together with other Group owner Company warrants, have been allocated to the management.

In February 2008, Orco Germany S.A. took over development projects in Kleinmachnow “Neue Hakeburg” and “Hochwald” by acquiring the majority in the companies Vivaro GmbH & Co. Grundbesitz KG and Vivaro GmbH & Co. Zweite Grundbesitz KG. The development projects have been initiated by members of the Board of Directors of Orco Germany S.A. The acquisition involves a net investment of approx. EUR 2 Million on the basis of valuation report prepared by independent expert.

On 22 May 2007, the Board of Directors of Orco Germany S.A. approved the issue of 148,077 five year bonds with 63 redeemable warrants attached to each bond pursuant to the terms and conditions set forth in a prospectus issued on 24 May 2007 (the “Prospectus”). The main features of the bonds and warrants are described in note 20. The Prospectus indicated that the subscribers who did not wish to keep all the warrants which were originally upon issue attached to the bonds may sell their warrants at an average unit price of EUR 1.45 to Central European Real Estate Management S.A., (“CEREM”), a public limited liability company (“société anonyme”), incorporated under the laws of Luxembourg and a wholly-owned subsidiary of the Company. The Prospectus provided that these warrants purchased by CEREM would then be offered at a unit price of EUR 1.45 to less than one hundred managers and business partners of Orco Germany’s group. It was also provided in the Prospectus that in the event where all or part of these warrants were not purchased by these designated managers or business partners of Orco Germany’s group, the unsold warrants would be repurchased at a price of EUR 1.45 per warrant either by Orco Immobilien GmbH (“Orco Immobilien”), a private limited liability company incorporated under the laws of Germany and an Orco Germany wholly owned subsidiary or by Orco Germany S.A. itself, in order to cancel the repurchased warrants.

On 30 May 2007, 148,077 five year bonds with 63 redeemable warrants attached to each bond were issued and subscribed by investors. Shortly thereafter, in accordance with the terms and conditions of the Prospectus, CEREM purchased from investors 6,219,234 warrants for a total consideration of EUR 9,017,889 and offered to managers and business partners of Orco Germany’s group the opportunity to purchase these warrants at a price of EUR 1.45 per warrant based on an allocation proposed following a resolution of the Board of Directors of Orco Germany.

In accordance with the resolution of the Board of Directors of Orco Germany S.A. dated 22 May 2007, 1,260,000 such warrants have been offered for sale at a price of EUR 1.45 per warrant for a total consideration of EUR 1,812,500 to OTT&CO S.A. assuming OTT&CO S.A. had agreed to purchase those warrants. However, in 2009, OTT & CO SA confirmed it never agreed to complete the purchase of those warrants. On 10 June 2009, the Board of Directors of CEREM, discussing and voting on the issue in the absence of Mr. Jean-François Ott as provided by law, concluded that, in absence of an agreement to purchase the warrants, there were insufficient legal grounds to execute the transaction. As a result the receivable on OTT&CO S.A. of EUR 1,812,500 has been cancelled in the consolidated financial statements of the Group as of 31 December 2008 and a corresponding amount has been recorded in deduction of the consolidated equity at the same date and the comparative figures for 2007 have been accordingly restated. As at 30 June 2009, the Board of Directors of CEREM was still considering the opportunity to sell the 1,260,000 warrants for a total amount of EUR 1,812,500 to Orco Immobilien GmbH or Orco Germany S.A. in accordance with the terms of the Prospectus. On 7 December 2009, the Board of Directors of CEREM approved the sale of those 1,260,000 warrants to the Company as part of an agreement on transfer of warrants and other rights and obligations which has been signed between CEREM and the Company on 8 December 2009.

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”. The Company is the shareholder of the management company of the Fund and has also invested in the three sub-funds existing as at December 2009. The hospitality sub-fund, which was fully consolidated since December 2007, has been liquidated end of September 2008. As at 31 December 2009, the Group’s subscription to the office I, office II and residential sub-funds represent respectively 16.16%, 8.29% and 7.98% of the total subscription respectively (in 2008, 15.73%, 4.57% and 10.60% respectively).

Orco’s remuneration from the office and residential sub-funds amounting to EUR 4.2 Million in 2009 (EUR 7.6 Million in 2008) is linked to:

- the placement fee of a maximum of 2.5% of the committed funds of the investors
- the management fee of 2% per year calculated on the called subscriptions
- acquisition fee of 1% calculated on the value of the assets bought or sold by the fund.

As at December 2009, open invoices for unpaid management fees amounted to EUR 7.2 Million (EUR 8.6 Million as at December 2008). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

As at December 2009 the uncalled commitments totaled EUR 122 Million.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 1.2 Million revenue (EUR 2.5 Million in 2008) and EUR 1.3 Million expenses (EUR 1.0 Million in 2008). They also resulted as at 31 December 2009 in a net payable of EUR 0.3 Million (a net receivable of EUR 0.4 Million as at 31 December 2008). The Company provided a subordinated bridge loan to BB C – Building E, k.s., a Czech subsidiary of the Endurance Fund, pursuant to the loan agreement dated 15 October 2010. The loan was used to repay an extraordinary payment required by the financing bank. The Company’s loan of EUR 700,000 has a final repayment date of 26 August, 2013.

Transactions with other related parties

Beginning of July 2007, Orco has granted a loan of USD 15 Million for a term of 6 months and an interest rate of 10% on a yearly basis. This loan has been granted to a company controlled by the management of Molcom. This loan has been repaid fully in December 2008. The purpose of this loan was to facilitate future acquisitions of plots of land in Russia.

In 2007, the Group sold in the form of Future Purchase Contract 24 apartments to a subsidiary of the residential Endurance sub-fund for a total amount of EUR 11.1 Million. In 2009, the investment board of the Fund decided to cancel this acquisition and the advance payment of EUR 1.3 Million has been registered in the consolidated income statement.

Employee stock options

See section 5.2.3. Employees stock option.

Chapter 7 Financial Information

7.1. Condensed consolidated financial statements in accordance with IFRS as of and for 30 June 2010



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

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

Introduction

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

Scope of Review

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



Conclusion

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

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 2.1 to the condensed consolidated interim financial information. This note indicates that the Group has substantial outstanding debts service obligation and capital requirements and its operations have been affected and will continue to be affected for the foreseeable future by the uncertainty in real estate market. The "Plan de Sauvegarde" referred to in the Note is based on a business plan prepared by Management that assumes among other things the disposal of some assets and the renegotiation of some bank loans. On May 19, 2010, the "Plan de Sauvegarde" has been accepted by the "Tribunal de Commerce de Paris". On June 10, 2010, some bond holders have filed an opposition before the "Tribunal de Commerce de Paris" on the judgement approving the "Plan de Sauvegarde". In addition, some shareholders have filed actions before the "Juge des référés de Luxembourg" and the "Tribunal d'arrondissement de Luxembourg" to cancel the three capital increases for a total amount of EUR 16.2 million that took place in April 2010. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

PricewaterhouseCoopers S.à r.l.
Represented by

Luxembourg, August 31, 2010

A handwritten signature in black ink, appearing to read 'M. Minet', written over a horizontal line.

Marc Minet

ORCO PROPERTY GROUP
Condensed consolidated interim financial information
As at 30 June 2010

Orco Property Group's Board of Directors has approved on 31 August 2010 the condensed consolidated interim financial information as at and for the period ended 30 June 2010. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

I. Condensed consolidated interim income statement

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

	Note	June 2010	June 2009
Revenue	3	163,076	132,315
Net profit/(loss) from fair value adjustments on investment property	5	26,629	-153,282
Other operating income		2,333	3,626
Net loss on disposal of assets	5, 8	-273	-769
Cost of goods sold	7	-87,899	-72,327
Employee benefits		-21,055	-23,884
Amortisation, impairments and provisions	6, 7	-8,311	-106,048
Other operating expenses		-36,730	-39,978
Operating result		37,770	-260,347
Interest expenses		-51,530	-41,694
Interest income		3,101	5,052
Foreign exchange result		-6,910	-643
Other net financial results	12	255,405	-20,706
Financial result		200,066	-57,991
Profit/(loss) before income taxes		237,836	-318,338
Income taxes	13	-4,335	60,948
Net profit/(loss) for the period		233,501	-257,390
Total profit/(loss) attributable to:			
non controlling interests		-4,232	-57,533
owners of the Company		237,733	-199,857
Basic earnings per share (in EUR)	15	19.44	-18.26
Diluted earnings per share (in EUR)	15	19.44	-18.26

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II. Condensed consolidated interim statement of comprehensive income

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

	Period ended 30 June	
	2010	2009
Profit /(Loss) for the period:	233,501	-257,390
Other comprehensive income		
Currency translation differences	13,708	-8,047
Total comprehensive income for the period	247,209	-265,437
Total comprehensive income attributable to:		
- owners of the Company	248,570	-206,634
- non controlling interests	-1,361	-58,803

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III. Condensed consolidated interim balance sheet

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

Assets			
	Note	30 June 2010	31 December 2009
NON-CURRENT ASSETS		1,408,926	1,392,979
Intangible assets		48,402	48,903
Investment property	5	1,071,801	1,072,304
Property, plant and equipment		252,451	235,677
Hotels and own-occupied buildings	6	234,281	215,393
Fixtures and fittings and other equipments		18,170	20,284
Financial assets at fair value through profit and loss		33,522	32,353
Deferred tax assets		2,750	3,742
CURRENT ASSETS		555,184	630,554
Inventories	7	398,455	482,605
Trade receivables		28,762	31,379
Other current assets	12	63,821	56,347
Derivative instruments		12	2,695
Current financial assets		390	488
Cash and cash equivalents	9	63,744	57,040
Assets held for sale	8	46,675	48,930
TOTAL		2,010,785	2,072,463
Equity and liabilities			
		30 June 2010	31 December 2009
EQUITY		367,632	104,730
Equity attributable to owners of the Company	14	320,517	56,577
Non controlling interests	10	47,115	48,153
LIABILITIES		1,643,153	1,967,733
Non-current liabilities		847,461	1,021,463
Bonds	11	222,964	409,397
Financial debts	11	490,684	484,634
Provisions & other long term liabilities		16,816	16,918
Derivative instruments		11,720	9,289
Deferred tax liabilities		105,277	101,225
Current liabilities		757,816	894,819
Current bonds	11	8,497	59,219
Financial debts	11	531,919	595,776
Trade payables		31,790	33,480
Advance payments		43,643	53,212
Derivative instruments		41,035	44,380
Other current liabilities		100,932	108,752
Liabilities linked to assets held for sale	8	37,876	51,451
TOTAL		2,010,785	2,072,463

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IV. Condensed consolidated interim statement of changes in equity

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

	Note	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 2008		44,870	400,524	18,639	-20,319	-139,081	304,633	116,241	420,874
Loss for the period :									
Translation differences				-6,777			-6,777	-1,270	-8,047
Loss for the period						-199,857	-199,857	-57,533	-257,390
Total comprehensive income				-6,777		-199,857	-206,634	-58,803	-265,437
Own equity instruments					-380		-380		-380
Non controlling interests' transactions	10							-570	-570
Balance at 30 June 2009		44,870	400,524	11,862	-20,699	-338,938	97,619	56,868	154,487
Loss for the period :									
Translation differences				3,914			3,914	371	4,285
Loss for the period						-50,707	-50,707	-7,419	-58,126
Total comprehensive income				3,914		-50,707	-46,793	-7,048	-53,841
Own equity instruments					1,325	2,923	4,248		4,248
Non controlling interests' transactions	10					1,503	1,503	-1,667	-164
Balance at 31 December 2009		44,870	400,524	15,776	-19,374	-385,219	56,577	48,153	104,730
Profit /(loss) for the period :									
Translation differences				10,837			10,837	2,871	13,708
Profit /(Loss) for the period						237,733	237,733	-4,232	233,501
Total comprehensive income				10,837		237,733	248,570	-1,361	247,209
Capital increase	14	12,751	3,464			-86	16,129		16,129
Non controlling interests' transactions	10					-759	-759	323	-436
Balance at 30 June 2010		57,621	403,988	26,613	-19,374	-148,331	320,517	47,115	367,632

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V. Condensed consolidated interim cash flow statement

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

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

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 property under operating leases as well as in asset management, in operating hotels and extended stay hotels and is also very active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business.

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

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

These condensed consolidated interim financial information have been approved for issue by the Board of Directors on 31 August 2010.

2. Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information as at and for the half-year ended 30 June 2010 has been prepared in accordance with IAS 34, ‘Interim financial reporting’ as adopted by the European Union and should be read in conjunction with the annual consolidated financial

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statements as at and for the year ended 31 December 2009, which have been prepared in accordance with IFRS as adopted by the European Union.

2.1.1 Going concern

In determining the appropriate basis of preparation of the condensed consolidated interim financial information, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are assessed according to the note 3 of the annual consolidated financial statements as at and for the year ended 31 December 2009.

In general, while the residential market remains very difficult, the situation evolved positively over the first half of 2010 with:

- the approval of the Safeguard plan by the Tribunal de Commerce de Paris;
- the capital increases realized in April 2010;
- the values of commercial assets that have bottomed up;
- the operational restructuring in two business lines.

2.1.1.1 2010 results

As at 30 June 2010, the Group made a profit of EUR 233.5 million (EUR 237.7 million attributable to the Group). After recognizing significant devaluations on investment properties and impairments on developments over 2009 and 2008, the Group recorded valuation gains and impairment write offs over the first half of 2010 (EUR 23.3 million) and a gain of EUR 269.5 million on the derecognition of the Company's bonds as a result of the approval of the Safeguard plan. The loan to value improved to 69.1% as at June 2010 compared to 84.4% as at December 2009.

Despite intense negotiations with the lending banks, the Group still records a significant amount of loans with breaches of bank financing covenants (see note 11). As a result some bank loans might be recalled by the financing banks. This amount includes EUR 36.5 million of loans financing assets that are held for sale and EUR 159.3 million of loans with a contractual term of more than one year but technically considered in breach while not declared in default by the banks. The remaining part of EUR 85.7 million is planned to be either prolonged upon successful negotiations with the lending bank or repaid upon sale of the financed asset.

2.1.1.2 "Procédure de Sauvegarde" (Safeguard Procedure)

Beginning of 2009, Orco Property Group's Board of Directors decided to apply for the Company to benefit from a Court Protection from creditors, the Safeguard Procedure. A Court Hearing was held on 25 March 2009 with the Paris Commercial Court ("Tribunal de Commerce de Paris"). On the same day, the Court rendered a judgement opening the Safeguard Procedure for the Company, and Vinohrady S.à r.l., a French subsidiary, for a renewable six months period. During the Safeguard Procedure, the Company is exempted to repay all the liabilities prior to the judgement pronouncement while interests on debts and bonds continue to be accrued based on contractual arrangements.

The initial period has been prolonged twice with the last period to be ended in June 2010 at the latest. The Safeguard plan was circularized to creditors on 31 March 2010. A majority of 57.42% of creditors were in favor of the proposed plan. The details of the safeguard plan were published in the management report accompanying the 2009 consolidated financial statements. On 19 May 2010, the Court approved the Company's Safeguard plan. This plan combines a strategic and operational restructuring plan and a debt rescheduling plan. The rescheduling plan aims at repaying 100% of the admitted claims, including nominal, accrued interests, and interests to

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accrue during the Safeguard plan, over ten years as per the schedule below, with effect from 30 April 2010 and a first repayment on 30 April 2011. This repayment schedule is consistent with the Group's business plan and reflects the necessity for the Group to invest in its development projects and assets.

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

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

The Court appointed Maître Laurent le Guernevé as "Commissaire à l'exécution du plan" in charge of overseeing the performance of the Company in implementing the Safeguard plan. Maître Le Guernevé will more specifically be in charge of distributing among the Company's creditors the amounts that are due to them under the Safeguard plan.

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

On 10 June 2010, a third party filed an opposition with the Commercial Court of Paris regarding the 19 May 2010 judgment that approved the Company's Safeguard plan. This third party opposition was filed by Maître François Kopf, attorney for Mr. Luc Leroi, bondholder representative for the « OBSAR 2010 » (ISIN FR0010249599), « CONVERTIBLE 2013 » (ISIN FR0010333302), and « OBSAR 2014 » (ISIN XS0291838992 and XS029184062). Regarding these three bonds, the third party opposition contests the maximum bond liability to be reimbursed within the Safeguard plan.

As long as the Commercial Court of Paris has not rendered a decision on the third party opposition, the underlying judgment approving the Safeguard plan is fully effective. A first court hearing is expected in October 2010. The Company sees the risk of this opposition being accepted as remote.

2.1.1.3 Restructuring plan implemented by the management

The Safeguard Procedure has provided a legal time frame for the implementation of the restructuring plan of the Group that enabled the Company to accelerate its transition to a 'new Orco':

- simplified and streamlined in terms of business and geographical presence;
- integrated in terms of ownership and control of its subsidiaries;
- centered on a cash flow sustainable Orco Property Group S.A.;
- adapted and lighter cost-structure;
- lowered pressure on the short term liquidity by the restructuring of its bond and bank debts;
- preserved potential of the development pipeline.

Many progresses have been made in the restructuring plan of the Group under the protection of the Safeguard procedure opened on the 25th of March 2009 and after the approval of the Safeguard plan:

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- The Safeguard plan proposing a term out over ten years of all the Company debt has been approved even though a third party opposition has been filed (see above).
- In its restructuring plan the Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring can't be achieved in the short or medium term (see note 11). While some of these assets or activities have already been sold, the restructuring of the assets and activities is not finalized yet.
- Some major Group bank loans have been successfully renegotiated since the beginning of the Safeguard Procedure by either solving existing and potential covenants' breaches or extending construction credit lines repayment schedules. Negotiations are still continuing on the remaining debts with existing or potential covenants breaches and for assets and developments where restructuring needs have been identified in the restructuring plan.
- The restructuring of the operations and teams has already led to significant operating expenses decrease compared to 2008 and 2009. Further decreases are expected in 2010 and 2011 with the decrease in the legal and consulting costs specific to the Safeguard procedure and the restructuring of Orco Germany (fully consolidated subsidiary held at 58.1% as at 30 June 2010, "OG") and the restructuring of the group management in two business lines (Development and Asset management).
- The management is currently discussing with all its joint venture and investment partners in order to restore the liquidity of its loans granted to these joint ventures by having them repaid either in cash or converted in equity. In particular, some achievements with agreements finalized can already be reported :
 - An agreement has been finalized and executed in July 2010 with our Hospitality joint venture partner whereby EUR 20 million out of the Company EUR 46 million shareholder loan will be restructured once all conditions precedents are met. The joint venture's partner will inject EUR 10 million in cash in Hospitality Invest for partial repayment to the Company, while EUR 10 million of shareholder loan will be converted into equity in the joint venture leaving both partners at a 50% shareholding.
 - An agreement has been reached in 2009 on the conversion of its EUR 17.6 million shareholder loan in OG into equity. This operation is made possible thanks to an agreement signed by OG, MSREF V Turtle B.V. (an investment vehicle managed by Morgan Stanley currently holding 28.91% of ORCO Germany S.A.) and the Company on August 26, 2009. Once all conditions precedents are met, the loan will be converted into 10,991,750 OG new shares at an issue price of EUR 1.60 per share where December 2009 net asset value stood at EUR 1.73, increasing the Group control from 58.10% to a 65% stake in its subsidiary.
- The risks on the implementation of the Safeguard plan (particularly on the timing of the non core asset sales forecasted to finance the equity part of the development of the existing land bank) have been mitigated in April 2010 by the completion of three capital increases in cash amounting to EUR 16.2 million that were not included in the sources of funds considered in the business plan. The new investors are professional investment funds, such as Axa Investment Managers, Neptune Invest, Alandia Investissements, Lansdowne Capital, Hillgrove Investments Group and Finplat. The Company issued a total of 3,110,000 new shares, priced at EUR 5.61 (for the first capital increase) and EUR 5.00 (for the 2nd and 3rd capital increases). The price per share in the 2nd and 3rd capital increases reflects the fact that the new shares remain in the form of registered shares until a prospectus is approved by the CSSF.

- The capital increases were legally challenged by certain shareholders. First, three of the Company's minority shareholders acting in concert, Millenius Investments S.A., Clannathone Stern S.A. and Bugle Investments Ltd (collectively the "Applicants") requested in a pleading against the Company dated 14 April 2010 in Luxembourg (before "le Juge des référés de Luxembourg") a suspension of the first and second capital increases. At the time of pleading the third capital increase had not yet been published. By order dated 22 April 2010, the Vice-President of the Tribunal acting as the "Juge des Référé" underlined that « the increases of capital were undertaken in the interest of the Company». This decision was appealed by the Applicants on 25 May 2010. A procedural hearing took place on 8 June 2010. During that hearing it was decided that arguments would be presented on a next hearing to take place on 18 December 2010. The Company considers that it has strong arguments to contest the legitimacy of these legal actions and therefore expect that they will be rejected. However, there still remains a risk that the court renders a decision in favor of the Applicants. In this regard, if the judge considers that the annual general meeting shall be cancelled pursuant to a legal technicality (vice de forme), the board of directors shall not be allowed to use article 5 of the by-laws in order to complete other share capital increases, the decision will only affect the future. But if the judge considers that the share capital increase shall be cancelled on the basis of other grounds, the cancellation shall have a retroactive effect and would result in an invalidation of one or all of the three capital increases. If this were to happen any of the relevant shares that had been sold, pledged, guaranteed or otherwise transferred would have to be returned and the underlying deals would have to be unwound. Moreover the Company would have to return the capital received. This would result in significant transactional complexity in unwinding those deals. In addition it would result in a change of the shareholding structure and the voting rights. Further, there is a corporate risk that the invalidation of the capital increases would result in the cancellation of the Company's general meeting held on 26 of April 2010, including the mandates of the board of directors. In turn, this could render the Board of Directors' decisions since 26 April 2010 invalid.

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

While the Safeguard plan has been approved on the basis of a business plan supported by the Board of Directors and estimated as achievable by the Commercial Court, the Juge Commissaire and the Mandataire judiciaire, the Group's status as a going concern depends mainly and directly on its capacity to implement the Safeguard plan as approved by the Commercial Court in Paris.

Some subsidiaries and joint ventures held by the Group require funding to continue as a going concern. The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Central Europe could damage the Group's activity and slow down the asset sales program. It should be noted that this environment has generally been stabilized over the last 9 months.

The Board of Directors is in the opinion that those risks are mitigated by the reasonability of the assumptions taken in the establishment of the business plan and the capital increases completed over the first half of 2010.

2.1.1.5 Conclusion

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

2.2 Accounting policies

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

(a) New and amended standards adopted by the Group

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

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

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

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

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

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2011.

2.3 Seasonality

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

2.4 Significant accounting estimates and judgements

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

- yield: range from 6.60% to 9.00% (6.75% to 12.00% in December 2009);
- discount rate: range from 7.50% to 10.25% (7.00% to 11.00% in December 2009);
- exit cap rate: range from 6.0% to 8.25% (6.0% to 9.5% in December 2009).

On the basis of EUR 1.7 billion of assets portfolio, 43% have been valued by an independent expert, DTZ Debenham Tie Leung ("DTZ"). Each non-valued asset has been reviewed and valued internally (see note 5, 6 and 7).

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

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

- Credit spread used on the "Profit participating loan" granted to Hospitality Invest S.à.r.l. : 22%;
- Liquidity discount used on the investment in Endurance Fund : 20%;
- Credit spread used on the Orco Germany S.A. instruments : 50.0% to 54.04%;
- Credit spread used for the valuation of the Company's bonds as at 19 May 2010 : from 60.13 % to 67.06%;

3. Segment reporting – business segments

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 interests, tax, depreciation and amortisation ("adjusted EBITDA" as defined below).

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

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

End of 2009, the Group structure has been fundamentally changed in order to streamline the management lines and reflect the 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

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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 own portfolio for value appreciation. On the other hand, the Group is actively 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 analysed and this is why the presentation of the segment reporting has been adjusted by grouping the previous renting, hospitality and management services segments under the common denomination of “Asset Management”(previously named Commercial Investment Properties).

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 asset management line once completed.
- Asset Management business line covers all real estate assets operated (as hotels and logistic parks) and rented out assets or that will be so without any major refurbishment.

This new segmentation is presented below.

As at 30 June 2010	Development	Asset Management	TOTAL
Revenue	101,586	61,490	163,076
Net gain or loss from fair value adjustments on investment property	109	26,520	26,629
Cost of goods sold	-86,919	-980	-87,899
Amortisation, impairments and provisions	-4,003	-4,308	-8,311
Other operating results	-15,267	-40,458	-55,725
Operating result	-4,494	42,264	37,770
Net gain from fair value adjustments on investment property	-109	-26,520	-26,629
Amortisation, impairments and provisions	4,003	4,308	8,311
Past valuation on goods sold	1,622	-	1,622
Net loss on disposal of assets	40	233	273
Adjusted EBITDA	1,062	20,285	21,347
Net gain from fair value adjustments on investment property			26,629
Amortisation, impairments and provisions			-8,311
Past valuation on goods sold			-1,622
Net loss on disposal of assets			-273
Operating result			37,770
Financial result			200,066
Profit before income tax			237,836
Segment assets	750,388	1,141,535	1,891,923
Investment Properties	271,276	800,525	1,071,801
Property, plant and equipment	2,478	249,973	252,451
Inventories	392,691	5,764	398,455
Other segment assets	42,738	79,803	122,541
Assets held for sale	41,205	5,470	46,675
Unallocated assets			118,862
Total assets			2,010,785
Segment liabilities	134,431	95,757	230,188
Liabilities linked to assets held for sale	34,876	3,000	37,876
Unallocated liabilities			1,780,597
Total liabilities			2,010,785
Cash flow elements			
Capital expenditure	5,346	4,062	9,408

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As at 30 June 2009 (restated)	Development	Asset Management	TOTAL
Revenue	70,182	62,133	132,315
Net gain or loss from fair value adjustments on investment property	-67,512	-85,770	-153,282
Cost of goods sold	-72,263	-64	-72,327
Amortisation, impairments and provisions	-69,743	-36,305	-106,048
Other operating results	-17,089	-43,917	-61,006
Operating result	-156,425	-103,922	-260,347
Net gain/(loss) from fair value adjustments on investment property	67,512	85,770	153,282
Amortisation, impairments and provisions	69,743	36,305	106,048
Past valuation on goods sold	47	-	47
Net gain/(loss) on abandoned developments	11,592	-	11,592
Net gain/(loss) on disposal of assets	1,089	-320	769
Adjusted EBITDA	-6,441	17,833	11,391
Net gain/(loss) from fair value adjustments on investment property			-153,282
Amortisation, impairments and provisions			-106,048
Net gain/(loss) on abandoned developments			-11,592
Past valuation on goods sold			-47
Net gain/(loss) on disposal of assets			-769
Operating result			-260,347
Financial result			-57,991
Profit before income tax			-318,338
Segment assets	830,860	1,132,097	1,962,957
Investment Properties	371,251	754,271	1,125,522
Property, plant and equipment	6,107	244,374	250,481
Inventories	425,657	34,849	460,506
Other segment assets	25,355	79,713	105,068
Assets held for sale	2,490	18,890	21,380
Unallocated assets			179,919
Total assets			2,142,876
Segment liabilities	113,516	107,802	221,318
Liabilities linked to assets held for sale	10,715	-	10,715
Unallocated liabilities			1,921,558
Total liabilities			2,142,876
Cash flow elements			
Capital expenditure	9,413	10,323	19,736

4. Business combinations

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

5. Investment property

Investment property	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
Balance at 31 December 2008	899,509	22,285	287,124	-	2,800	1,211,718
Investments / acquisitions	3,502	67	7,535	9,023	-	20,127
Asset sales	-60,149	-	-7,279	-	-	-67,428
Revaluation through income statement	-102,698	-917	-65,723	-7,240	-1,020	-177,598
Transfers from properties under development	50,170	-	-	41,682	-	91,852
Other Transfers	3,107	-5	-7,033	-4,744	-1,500	-10,175
Translation differences	2,263	-	156	1,389	-	3,808
Balance at 31 December 2009	795,704	21,430	214,780	40,110	280	1,072,304
Investments / acquisitions	570	7	1,076	3,557	-	5,210
Asset sales	-11,887	-	-60	-	-	-11,947
Revaluation through income statement	26,917	-	-	-	-288	26,629
Transfers	-21,410	-	-1,507	-	-	-22,917
Translation differences	3,320	-	1,553	-2,359	8	2,522
Balance at 30 June 2010	793,214	21,437	215,842	41,308	-	1,071,801

Even though the Group is controlling the majority of the voting right, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

As at 30 June 2010, 62% of the investment properties portfolio has been valued by DTZ.

79 investment properties (EUR 1,018.8 million) financed by bank loans in local special purpose entities are fully pledged for EUR 711.1 million.

- **In 2010**

E) Investments / Acquisitions

During the period, the Group invested EUR 5.2 million in investment properties representing mainly EUR 3.6 million in Hungary of capitalization on the development of the Vaci 1 project (Budapest Stock Exchange), retail development in Budapest.

The investments have been financed by bank loans of EUR 2.3 million (Budapest Stock Exchange for EUR 1.5 million, Bubny for EUR 0.8 million).

F) Asset sales

During the period, the net book value (“NBV”) of the assets sold amounts to EUR 11.9 million, with a total net loss compared to the December 2009 DTZ valuation amounting to EUR -0.1 million and composed mainly of the following disposals:

- Small buildings in Berlin have been sold (NBV of EUR 2.7 million) at the sale price of EUR 2.9 million;
- Sale of Ku-Damm 103 building in Berlin (NBV of EUR 8.2 million) at the sale price of EUR 8.0 million;
- Sales of residential and commercial buildings in Prague (NBV of EUR 1.0 million) at the sales price of EUR 0.9 million;

The asset sales have resulted in a repayment of bank loans amounting to EUR 5.9 million.

G) Revaluation through income statement:

The movement in fair value relates mainly to Freehold buildings and to Building under finance lease:

- In Germany, the total amount of increase in fair value amounts to EUR 23.8 million on Freehold Buildings;
- In the Czech Republic, the increase in fair value amounts to EUR 3.1 million on Freehold Buildings and to EUR -0.3 million in building under finance lease;
- In Hungary, the decrease in fair value amounts to EUR -0.7 million on Freehold Building;
- In Poland, the increase in fair value amounts to EUR 0.1 million on Freehold Building;
- In Luxembourg, the increase in fair value amounts to EUR 0.6 million on Freehold Building;

H) Transfers

The transfers are mainly made of the following movements:

- The Group is expecting to sell 3 investment properties in Germany and 1 Land bank in the Czech Republic, which have been transferred in assets held for sale for EUR 36.7 million: Max Planck Str. (EUR 5.5 million), Cumberland (EUR 28.0 million), Brunnestr. 27 (EUR 1.7 million) and Na Frantisku (EUR 1.5 million).
- The Group stopped the sale process of 2 projects in Hungary (Small Budapest Bank and Main Budapest Bank), which have been transferred from assets held for sale for EUR 13.8 million.

- **In 2009**

82 investment properties (EUR 897.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 711.7 million.

E) Investments / Acquisitions

During the year, the Group has invested EUR 20.1 million in investment property representing mainly capitalization on buildings

under construction and investments for zoning and building permits.

- EUR 4.3 million for the development of the Budapest Stock Exchange, retail development in Budapest;
- EUR 4.7 million on the office development of Na Porici in Prague;
- EUR 3.0 million on the commercial development in Berlin (Wertheim for EUR 1.8 million, Cumberland for EUR 0.7 million, Elb Loft for EUR 0.5 million);
- EUR 2.1 million on the residential development in Czech Republic (Doupovska for EUR 1.5 million, Uhranic for EUR 0.5 million, Praga for EUR 0.1 million);
- EUR 1.6 million on mixed development of Bubny in Prague;
- EUR 0.3 million on residential development of Ruczaj in Krakow.

Out of the EUR 20.1 million of investments, EUR 6.8 million have been financed by bank loan draw downs.

F) Asset sales

During 2009, the net book value ("NBV") of the assets sold represents EUR 67.4 million, for a total sale price of EUR 65.7 million out of which EUR 30.3 million have been used to repay the bank loan financing, with a total net loss compared to the December 2008 DTZ valuation amounting to EUR -1.7 million and composed mainly of the following disposals:

Freehold buildings:

- Small buildings in Berlin have been sold (NBV of EUR 19.0 million) at the sale price of EUR 18.6 million;
- Sale of Pappelallee building in Berlin (NBV of EUR 5.3 million) at the sale price of EUR 4.3 million;
- Sale of Reinhardtstrasse building in Berlin (NBV of EUR 8.6 million) at the sale price of EUR 8.4 million;

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- Sale of Immanuelkirchstrasse 3+4 in Berlin (NBV of EUR 10.0 million) at the sale price of EUR 10.0 million;
- Sales of residential in properties in Czech Republic (NBV of EUR 17.2 million) at the sale price of EUR 16.0 million.

Land bank:

- Sale of Bezecka (NBV of EUR 0.7 million) at the sale price of EUR 1.6 million;
- Sale of Origo in Budapest (NBV of EUR 5.1 million) at a sale price of EUR 5.3 million;
- Sale of GrugaCarree (NBV of EUR 1.5 million) at a sale price of EUR 1.5 million.

G) Revaluation through the income statement:

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

- In Germany, the total decrease in fair value amounts to EUR -54.9 million (EUR -39.1 million on Freehold Buildings and EUR -15.8 million on Land Bank);
- In Czech Republic, the decrease in fair value amounts to EUR -66.2 million (EUR -27.1 million on Freehold Buildings, EUR -38.1 million on Land Bank and EUR -1.0 million on Buildings under finance lease);
- In Hungary, the total decrease of fair value amounts to EUR -32.0 million (EUR -24.5 million on Freehold Buildings and EUR -7.2 million on property under development and EUR -0.3 million on Extended Stay Hotels);
- In Poland, the total decrease of fair value amounts to EUR -10.4 million (EUR -1.6 million on Freehold Buildings, EUR -7.9 million on Land Bank and EUR -0.9 million on Extended Stay Hotels);
- In Slovakia, the total decrease of fair value amounts to EUR -8.1 million on Freehold Buildings;
- In Luxembourg, the total decrease of fair value amounts to EUR -2.1 million on Freehold Buildings;
- In Russia, the total decrease of fair value amounts to EUR -1.2 million on Land Bank;
- In Croatia, the total decrease of fair value amounts to EUR -2.7 million on Land Bank.

H) Transfers

The transfers are mainly made of the following movements:

1/ Freehold buildings

Main Incoming Assets

- Na Porici (EUR 45.4 million) and Budapest Stock Exchange (EUR 41.7 million) have been transferred from Properties under development to Investment Property as at 1st January 2009, due to the application of IAS40 Revised.
- Hradcanska (EUR 14.8 million), Logistic Park Hlubocky (EUR 5.0 million) and Paris Department Store (EUR 21.5 million) are projects previously recognized as Inventories, which are now transferred to Investment Property.
- Ku-Damm 103 (EUR 8.7 million) is transferred from Own Occupied Buildings to Investment Property. This asset will be rented to third parties as Orco Germany's headquarters have moved to another office in Berlin.

Main Outgoing Assets

- Mostecka (EUR 10.8 million) and Americka 11 (EUR 2.6 million) are transferred from Investment Property to Inventories as the development of these projects has been approved by the Investment Committee.
- Main Budapest Bank (EUR 12.8 million), Stein in Bratislava (EUR 10.0 million), Wasserstrasse in Düsseldorf (EUR 8.4 million),
- Small Budapest Bank (EUR 0.6 million) are transferred to Assets held for sale.

Other movement

- Elb Loft (EUR 1.8 million) is transferred from Freeholdbuildings to Landbank.

2/ Land bank

- Helbeger (EUR 11 million) is transferred to Assets held for sale.

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List of major investment properties:

	6 months to 30 June 2010		12 months to 31 December 2009	
	2010	Fair Value	2009	Fair Value
	Revaluation	30.06.10	Revaluation	31.12.09
Freehold Buildings	26,917	793,214	-102,698	795,704
Germany	23,829	524,401	-39,146	546,347
GSG	23,081	463,226	-26,658	441,832
Franklinstraße 15	900	38,150	-3,128	37,250
Cumberland Haus	-127	-	-2,959	28,000
Brunnenstraße 156 & Invalidenstraße 112	60	8,340	1,210	8,280
Ku damm 103	-	-	-518	8,170
Kurfürstendamm 102	20	6,210	-1,580	6,190
Max Planck Strasse	-360	-	-790	5,830
Hüttendorf	-	5,100	-2,259	5,100
Hakeburg	-	2,465	159	2,375
Lutticher Str. 49	-	-	-240	970
Hochwald	-	910	-52	910
Transferred to assets held for sale	255	-	-2,331	1,440
Czech Republic	3,081	174,564	-27,234	166,880
Radio Free Europe	5,419	57,000	-6,831	50,000
Na Porici	-1,541	47,550	-2,632	47,600
Vltavska	-	26,800	-7,457	26,800
Hlubocky	-	19,111	-2,048	18,500
Hradcanska	-	12,833	-2,380	12,450
Stribro	-	4,410	-3,582	4,410
Jeremiasova	20	2,610	-460	2,590
Americka Park Residential	-672	1,418	-3,336	2,380
Belgicka 36 - Na Kozacø	-5	756	-118	950
Americka 3	-17	684	1,679	760
Nad Petruskou 8	-57	396	-160	440
Residence Masaryk, Jana Masaryka 40	-	441	249	441
Letenska	-	31	-78	440
Americka 13, Prague 2, Czech Rrepublic	-39	270	-60	300
Zahrebska 35, Prague 2, Czech republic	-27	254	-20	280
Slovakia	-	15,860	-8,082	15,860
Dunaj	-	15,860	-2,805	15,860
Transferred to assets held for sale	-	-	-5,277	-
Hungary	-660	40,961	-24,511	28,395
Paris Department Store	-	14,445	-6,972	15,000
Szervita Square	-660	9,400	-4,248	10,060
Starlight Suite Hotel	-	3,335	-1,030	3,335
Headquarters of Budapest Bank	-	13,135	-10,568	-
Small Budapest Bank	-	646	-1,693	-
Poland	100	12,270	-1,618	12,170
Marki	-	6,670	-951	6,670
Diana Office	100	5,600	-667	5,500
Luxembourg	567	25,158	-2,122	24,591
Orø House	567	25,158	-2,122	24,591
Other	-	-	15	-

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	6 months to 30 June 2010		12 months to 31 December 2009	
	2010 Revaluation	Fair Value 30.06.10	2009 Revaluation	Fair Value 31.12.09
Land bank	-	215,842	-65,723	214,780
Czech Republic	-	97,238	-38,273	97,080
Bubny	-	75,862	-14,871	75,000
Nupaky 1	-	4,728	-497	4,590
Praga	-	3,751	-12,483	3,640
Doupovska	-	3,576	-3,854	3,340
Mezihori	-	2,566	-751	2,550
Bellvue Grand	-	2,266	-816	2,200
U Hranic Prague 10, CZ	-	1,526	-1,627	1,460
Ostrava - Na Frantisku	-	-	-224	1,460
OBI Decin	-	1,492	-372	1,450
Hradec Kralové Plachta Jih	-	854	-1,529	820
Rubeska	-	371	-1,188	360
Kolin, CZ	-	246	-61	210
Germany	-	86,910	-15,761	86,910
Leipziger Platz	-	84,300	-12,832	84,300
Orco Elb Loft	-	1,750	-542	1,750
GSG	-	860	-50	860
Helberger	-	-	-1,362	-
Essen Gruga Carree	-	-	-975	-
Russia	-	9,090	-1,145	8,000
Kaluga 145 Ha	-	9,090	-1,145	8,000
Poland	-	22,098	-7,929	22,290
Jozefoslaw	-	6,600	-1,913	6,660
Szoza Polska	-	5,903	-2,059	5,950
Kraków Ruczaj	-	4,182	-2,067	4,220
Przy Parku	-	3,421	-1,111	3,450
Białystok	-	1,992	-779	2,010
Croatia	-	506	-2,745	500
Istria plot (595 k.o. Pican)	-	506	-462	500
Obonjan Rivijera	-	-	-2,283	-
Other	-	-	130	-
Buildings under finance lease	-288	-	-1,020	280
Extended stay hotels	-	21,437	-917	21,430
Buildings under construction	-	41,308	-7,240	40,110
Budapest Stock Exchange	-	41,308	-7,240	40,110
TOTAL	26,629	1,071,801	-177,598	1,072,304

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6. Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance as at 31 December 2008	102,659	2,164	191,870	296,693
Investments / acquisitions	1,571	-	80	1,651
Disposal	-227	-	-	-227
Transfer	10,510	-	-11,335	-825
Translation differences	-1,314	-	525	-789
Balance as at 31 December 2009	113,199	2,164	181,140	296,503
Investments / acquisitions	3,310	-	5	3,315
Transfer	-	-	6,356	6,356
Translation differences	7,491	-	2,850	10,341
Balance as at 30 June 2010	124,000	2,164	190,351	316,515
AMORTISATION AND IMPAIRMENT				
Balance as at 31 December 2008	39,276	137	12,007	51,420
Allowance	146	-	938	1,084
Impairments	10,727	1,030	19,013	30,770
Transfer	-119	-	-2,546	-2,665
Translation differences	795	-	-294	501
Balance as at 31 December 2009	50,825	1,167	29,118	81,110
Allowance	158	8	480	646
Impairments	-425	-	-	-425
Transfer	-	-	635	635
Translation differences	128	-	140	268
Balance as at 30 June 2010	50,686	1,175	30,373	82,234
NET AMOUNT as at 30 June 2010	73,314	989	159,978	234,281
Net amount as at 31 December 2009	62,374	997	152,022	215,393

As at 30 June 2010, 30% of the hotels and own-occupied buildings portfolio has been valued by DTZ.

24 projects (EUR 213.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 100.7 million.

During the first half of 2010, the hotel Sirena on the Island of Hvar has been transferred back from asset held for sale to the hotel portfolio, as the Group does not intend to sell this property on a short term basis (EUR 5.7 million).

In the first six months of 2010, Molcom has invested EUR 3.3 million for the new warehouse facility.

The impairment test based on the DTZ valuation as at June 30, 2010 led to the derecognition of part of the impairment from 2009 on the Molcom Logistics project for EUR 0.4 million.

- **In 2009**

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23 projects (EUR 195.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 99.3 million.

A new warehouse completed in Russia at the end of 2009 has been transferred from Properties under development to Own-occupied buildings (EUR 19.3 million).

The building located in Ku-Damm 103 has been transferred from own-occupied buildings to Investment Property (EUR 8.7 million) as the Orco Germany headquarters moved to another building in Berlin.

The Sirena Hotel (EUR 5.7 million) has been transferred to Assets held for sale.

The impairment tests based on the DTZ valuation at end of 2009 led to the recognition of the following impairments:

- Own-occupied: Molcom Logistics (EUR 10.5 million) and Orco Luxembourg in Capellen (EUR 0.2 million).
- Hotels: Andrassy Hotel in Budapest (EUR 1.3 million), and on the Hvar Island: Amfora (EUR 6.8 million), Pharos Hotel (EUR 4 million), Sirena Hotel (EUR 1.9 million), Bodul Hotel (EUR 1.8 million), Adriana (EUR 1.6 million), Camping Vira (EUR 0.7 million) and Riva Hotel (EUR 0.4 million).
- Prepaid operating leases: Sulekova Hotel in Slovakia (EUR 1.0 million).

7. Inventories

Inventories	30 June 2010	31 December 2009
Opening Balance	482,605	529,827
Abandoned development projects	-	-39,956
Net impairments	-3,744	-39,659
Transfers	74	-29,626
Translation differences	4,109	2,582
Development costs	3,310	135,207
Cost of goods sold	-87,899	-75,770
Closing Balance	398,455	482,605

Inventories properties are developed with the intention to resell.

• As at 30 June 2010

As at 30 June 2010, the development projects have been reviewed and tested by the management for potential impairment.

Development costs amounting to EUR 3.3 million have been capitalized on the following projects:

- in the Czech Republic (EUR 1.6 million) on Benice (EUR 0.9 million), Americka 11 (EUR 0.5 million), Mostecka (EUR 0.2 million);
- in Poland (EUR 0.5 million);

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- in Germany (EUR 1.2 million) on Danzigerstrasse (EUR 0.4 million) and H2 Office (EUR 0.8 million).

Cost of goods sold amounting to EUR 87.9 million relate mainly to the following project sales:

- in Germany (EUR -60.9 million): H2 Office in Duisburg (EUR -29.8 million), 3 Healthcare projects (EUR -29.6 million) and the Trudering projects (EUR -1.5 million);
- in Poland (EUR -16.0 million): Malborska (EUR -11.7 million), Drawaska (EUR -3.0 million) and Mokotowska (EUR -1.3 million);
- in the Czech Republic (EUR -9.7 million), mainly on: Kotic (EUR -3.1 million), Benice (EUR -1.5 million), Nove Dvory (EUR -1.2 million), Hradec Kralove (EUR -1.1 million), Radotin (EUR -1.1 million) and Michle (EUR -1.0 million);
- in Slovakia (EUR -0.4 million): Koliba (EUR -0.4 million).

Impairments have been recognised mainly on the following projects:

- in the Czech Republic (EUR -2.9 million): Benice phase I (EUR -2.2 million), Spynderuv Mlyn (EUR -0.5 million), Americka 11 (EUR -0.1 million) and Michle (EUR -0.1 million);
- In Germany (EUR -0.5 million): Danzigerstr. (EUR -0.5 million);
- in Poland (EUR -0.1 million): Mokotowska (EUR -0.1 million);
- in Slovakia (EUR -0.2 million): Koliba (EUR -0.2 million).

9 projects in development (EUR 313.2 million) are pledged for a total amount of EUR 185.9 million.

• **In 2009**

The Group decided to not finalize and to sell two projects:

- the City Gate project in Bratislava was sold for a net result of EUR -5.9 million (NBV of EUR 29.4 million).
- the Fehrbelliner Hofe project in Berlin was sold for a net result of EUR - 5.6 million (NBV of EUR 10.6 million).

Development costs amounting to EUR 135.2 million, out of which EUR 87.5 million have been financed by bank loan draw downs, have been capitalized on the following projects: Sky Office (EUR 47.4 million), H2 Office (EUR 21.0 million), Vysocany gate (EUR 6.8 million), Bernauer Straße (EUR 5.9 million), Zlota 44 (5.7 million), Neuenkirchener Straße (EUR 5.7 million), Targowek / Malborska (EUR 4.6 million), Tschaikowskistraße 33 (EUR 4.2 million), Paris Department store (EUR 2.9 million), Warsaw – Drawaska (EUR 4.0 million) and Danzigerstrasse (EUR 2.1 million).

The transfers arise from the following properties: Hradanska (EUR -14.8 million), Paris Department Store (EUR -21.5 million in Investment Property and EUR 2.2 million in fixtures and fittings) -which are now rented and are reclassified as Investment Property.

The project Mostecka in Czech Republic (EUR +10.8 million) was transferred from Investment Property to Inventories, as it is intended to be developed and sold.

Impairments have been recognized mainly on the following properties:

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- Sky Office: EUR -15.0 million
- Benice: EUR -4.8 million
- Duisburg (H2 Office): EUR -3.8 million
- Vavrenova: EUR -2.9 million
- Szczecin/Szoza Polska: EUR -2.3 million
- Pivovar Vrchlabi: EUR -3.8 million
- Vysocany Gate: EUR -2.8 million

12 projects in development (EUR 238.5 million) are pledged for a total amount of EUR 147.5 million.

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

Assets held for sale	June 2010	December 2009	Liabilities linked to assets held for sale	June 2010	December 2009
Opening Balance	48 930	-	Opening Balance	51 451	-
Asset Sales	-19 360	-	Asset sales	-15 473	-
			Interests	195	-
Transfer	17 171	48 411	Transfer	1 846	50 677
Translation differences	-66	519	Translation differences	-143	774
Closing Balance	46 675	48 930	Closing Balance	37 876	51 451

In 2010 4 assets held for sale (EUR 45.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 37.4 million.

As at 30 June, 2010, the Group validated the sale of 4 assets from its investment property portfolio. These assets have been transferred in assets held for sale. 3 of them are located in Germany: Cumberland in Berlin (EUR 28.0 million for a debt amounting to EUR 20.0 million), Brunnenstr. 27 in Berlin (EUR 1.7 million for a debt amounting to EUR 1.1 million) and Max Planck Str. in Cologne (EUR 5.5 million for a debt amounting to EUR 3.0 million). The last project is located in Ostrava in Czech Republic: Na Frantisku (EUR 1.5 million, debt free asset).

As at 30 June 2010, 3 assets previously recognized as held for sale have been transferred in investment property or in the Hotel portfolio for EUR 19.5 million:

- In Hungary: Small Budapest and Main Budapest Bank projects have been transferred in freehold building for EUR 13.8 million for a total debt of EUR 22.3 million;
- In Croatia: the Hotel Sirena on the Island of Hvar has been transferred in Hotel portfolio for EUR 5.7 million.

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

- the project Hellberger in Frankfurt has been sold at its net book value (EUR 11.0 million for a debt of EUR 8.5 million);

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- the project Wasserstr. in Düsseldorf has been sold for EUR 8.2 million (NBV of EUR 8.4 million for a debt of EUR 7.0 million).

The Group is seeking for selling the Stein project in Slovakia (NBV of EUR 10.0 million) with the lending bank in order to recover part of the bank loan granted to the company (EUR 13.8 million). The company is currently in bankruptcy process.

The bank debts linked to the assets held for sale amount to EUR 37.9 million as at June 30, 2010.

- **In 2009**

As at December 31, 2009, the Group decided to sell 5 assets from its investment property portfolio (nil in 2008), as the due date of the financing of these non strategic assets is in short term.

These assets have been transferred in assets held for sale.

Two of them are in Germany: Helberger in Frankfurt (EUR 11.0 million, Development segment) and Wasserstr. in Düsseldorf (EUR 8.4 million, Renting segment).

Two projects are located in Hungary, Small Budapest Bank (EUR 0.7 million, Renting Segment) and Main Budapest Bank (EUR 13.2 million, Renting segment).

The last project is located in Slovakia: Stein (EUR 10.0 million, Development segment). The bank debt on these assets amounts to EUR 51.5 million.

Finally, the hotel Sirena on the Hvar Island, previously classified as hotel is planned to be sold and has been recognized as asset held for sale (EUR 5.7 million, Hospitality segment).

9. Cash and cash equivalents

As at 30 June 2010, the cash and cash equivalents consist of short term deposits for EUR 3.6 million (EUR 2.2 million as at 31 December 2009), cash in bank for EUR 60.0 million (EUR 54.6 million as at 31 December 2009) and cash in hand for EUR 0.2 million (EUR 0.2 million as at 31 December 2009).

Cash in bank include restricted cash amounting to EUR 28.2 million (EUR 35.2 million as at 31 December 2009), representing:

- cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal, for EUR 3.8 million (EUR 6.5 million as at 31 December 2009);
- cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units, for EUR 5.4 million (EUR 10.0 million as at 31 December 2009);
- cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property, for EUR 19.0 million (EUR 18.7 million as at 31 December 2009).

10. Non-controlling interests transactions

- **2010**

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In 2010, the Group increased its stake in the company Office II invest S.A. to 100%. It results to an increase of the non-controlling interests of EUR 0.3 million.

In January 2010, the joint venture company Kosic S.à.r.l. repaid part of the share premium to both joint venture holders, the Group and GECGE Kosik Investors S.à.r.l, for EUR 1.9 million. According to the agreement with the partners, the Company received EUR 0.5 million, with a net impact on the consolidated reserves of the Group of EUR - 0.4 million.

• 2009

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

The Group increased its participation of 1.31% in Orco Germany by integration of some Orco Germany shares previously disclosed as current financial assets. This operation led to an impact on the non controlling interests of EUR -1.8 million.

11. Borrowings

At 30 June 2010, the movements in non-current bonds and loans are the following:

11.1 Non-current bonds

Non-current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2009	150,375	259,022	409,397
Interest from 31 Dec to 19 May	6,057	4,783	10,840
Balance at 19 May 2010	156,432	263,805	420,237
Derecognition of bonds	-156,432	-171,978	-328,410
Entry of new bonds	51,141	82,744	133,885
Own bonds	-424	-6,055	-6,479
Interest from 19 May to 30 June	1,299	2,432	3,731
Balance at 30 June 2010	52,016	170,948	222,964

• In 2010

On 19 May 2010 the company's safeguard plan was approved (see point 2.1.1.2). This results in a rescheduling of the repayment of the bonds nominal, accrued interests, and interest to accrue during the Safeguard plan, over ten years with effect from 30 April 2010 as described by the amortisation table included in note 2.1.1.2. This rescheduling results in a major change as previous bonds have been derecognised and restructured bonds have been recorded at fair value at the date of the approval of the Safeguard plan. The fair value has been estimated by Management with the assistance of an independent expert (Grant Thornton). On the basis of comparables, the effective interest rate of the "Safeguard bonds" was set at 23.1% resulting in a total value excluding deductions from own bonds of EUR 142.9 million at 19 May 2010 of which EUR 133.9 million is classified as Non Current. The derecognition of the debts results in a gain of EUR 269.6 million. See note 12 for further discussion.

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As the consequence of the approval of the Safeguard plan, the terms of the restructured bonds are identical to the ones described in the 31 December 2009 consolidated financial statement except for the following points:

- Call options on the company's shares embedded in the 2013 convertible bond can now only be served by delivering new shares.
- Call options on the Hvar shares embedded in the 2012 exchangeable bonds are void.
- The conditional redemption premium on the 2010 bond will only be repaid in 2020 upon realization of conditions.
- A fixed exchange rate has been defined for the repayment of the Czech bonds by 27.295 CZK for 1 Euro.

The changes in the derivatives terms and market conditions resulted in income statement recognition of a gain amounting to EUR 6.6 million.

• In 2009

No new bonds have been issued in 2009.

The transfer of bonds to short term (EUR -47.9 million) relates to the OBSAR 1 bond which is due for redemption in November 2010.

In 2009 Orco Property Group sold 76,279 convertibles bonds on the open market for a total consideration of EUR 1.2 million.

Based on requests for early redemption received from individual holders of the Czech bond (the "Bond CZK") that was issued in February 2006, the Group reimbursed 110 bonds (out of 140 outstanding) in 2008 amounting to CZK 1,100,000,000 (EUR 40.8 million). During the year 2009, bondholders requested the reimbursement of 27 bonds CZK, out of the 30 bonds still outstanding, for a value of CZK 200,000,000 (EUR 7.7 million). The Bond CZK is classified in short term for CZK 300,000,000 (EUR -11.3 million) as its repayment can be requested on demand due to a breach of loan covenant (the CZK bonds were downgraded by Moody's in 2008).

11.2 Non-current financial debts

Non-current financial debts	Bank loans	Other non-current borrowings	Finance lease liabilities	TOTAL
Balance at 31 December 2008	793,418	31,939	1,126	826,483
Issue of new loans and drawdowns	41,912	1,456	20	43,388
Amortized cost review	-	-17,972	-	-17,972
Repayments of loans	-44,803	-378	-44	-45,225
Transfers	-317,480	-1,095	-	-318,575
Translation differences	-3,645	160	20	-3,465
Balance at 31 December 2009	469,402	14,110	1,122	484,634
Issue of new loans and drawdowns	8,315	890	-	9,205
Repayments of loans	-34,214	-1,723	-739	-36,676
Transfers	26,124	39	-	26,163
Translation differences	7,208	117	33	7,358
Balance at 30 June 2010	476,835	13,433	416	490,684

- In 2010**

In 2010, issue of new bank loans and drawdowns (EUR 8.3 million) is mainly due to new financing for the Brno project in the Czech Republic and Molcom in Russia (respectively EUR 2.7 million and EUR 4.8 million).

Transfers of bank loans (EUR 26.1 million) are mainly due to the resolution of breaches on Gebauer Höfe in Germany (EUR 28.9 million) and reclassification of Kotic loan (EUR -1.6 million), which falls due within 12 months.

Repayments of loans mainly relate to the sale of Healthcare projects in Germany (EUR -22.4 million); the repayment of Kotic (EUR -2.9 million) in Czech Republic, Ku'damm (EUR -4.7 million) and GSG (EUR -1.6 million) in Germany. In addition, the refinancing of Brno project in Czech Republic led to the repayment of EUR -2.1 million.

- In 2009**

Issue of new bank loans and drawdowns (EUR 41.9 million) are mainly related to the following projects:

- further drawdowns for the construction of Oranienburg senior residence in Germany (EUR 7.0 million);
- further drawdowns for Na Porici (EUR 6.9 million);
- drawdowns for Healthcare projects (EUR 13.7 million);
- drawdowns for Kotic (EUR 4.4 million);
- refinancing for the Paris department store (EUR 2.8 million) and Budapest Stock Exchange (EUR 2.0 million) in Hungary;

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- refinancing for Diana development (EUR 2.5 million) in Poland and Belgicka residence (EUR 1.2 million) in Czech Republic;
- various other small projects (EUR 1.4 million).

Repayments of bank loans (EUR -44.8 million) are mainly related to the following operations:

- Asset sales in Germany: Immanuelkirchstrasse (EUR -7.2 million), Reinhardtstrasse (EUR -6.8 million), Prenzlauer (EUR -1.4 million), Kollwitzstrasse (EUR -1.4 million), Wilhelm Kuhr Str. (EUR -1.3 million), Görschstrasse (EUR -1.3 million), John Schehr Str. (EUR -1.4 million), Brunnenstrasse (EUR -1.5 million) and Pappelallee (EUR -2.6 million).
- Sale of Nove Dvory (EUR -5.1 million), Brno Shopping (EUR -2.6 million) in the Czech Republic.

Transfers of bank loans (EUR -317.5 million) are mainly due:

- to the reclassification of the bank loans, that will fall due within twelve months of year end, of Sky Office in Dusseldorf (EUR -65.2 million); of Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); of Paris Department store (EUR -16.5 million) in Hungary; and of Targowek/Malborska (EUR -15.8 million) and Viteria (EUR -2.7 million) in Poland.

- to new breaches on financial covenants for the bank loans financing the following projects: Suncani Hvar (EUR -41.1 million) in Croatia; Zlota (EUR -40.7 million), Marki (EUR -3.7 million), and Przy Parku (EUR -3.6 million) in Poland; Franklinstrasse (EUR -29.4 million) in Germany; Main Budapest Bank (EUR -19.6 million), and Budapest Stock Exchange (EUR -24.2 million) in Hungary. These loans would be repayable on demand if they are declared in default by the bank hence the non-current part has been reclassified as current.

As at 31 December 2009, the total carrying value of loans in breach due to financial covenants amounts to EUR 364.7 million. As at 30 March 2010, none of the loans with breach of covenants as at 31 December 2009 have been restructured. The objective of the management is to restructure and renegotiate these loans in priority to comply as soon as possible with the bank loan covenants.

Other non-current loans are mainly equity loans from joint ventures and loans from partner companies. The new loans (EUR 1.5 million) mainly relate to MS Invest and Hospitality (EUR +0.7 million and EUR +1.0 million respectively). The transfers relate mainly to a reclassification of advance payments (EUR -0.7 million) in Gebauer Höfe.

As a result of the amortized cost review, the net present value of the profit participating loan granted to the Hospitality joint venture by the partners has been decreased by an amount of EUR 18.0 million.

11.3 Current financial debts

As at 30 June 2010, the movements in current loans are the following:

Current financial debts	Bank loans	Other current borrowings	TOTAL
Balance at 31 December 2009	644,925	2,302	647,227
Issue of new loans and drawdowns	4,169	986	5,155
Repayments of loans	-57,686	-349	-58,035
Transfers	-26,124	-39	-26,163
Translation differences	1,604	7	1,611
Balance at 30 June 2010	566,888	2,907	569,795

The table includes loans linked to assets held for sale (EUR 37.9 million).

The issue of new loans mainly relates to further drawdowns in Sky Office and Vaci 1 (EUR 2.5 million and EUR 1.5 million respectively).

The repayment of bank loans (EUR -57.7 million) is mainly related to asset sales (EUR -54.4 million): H2 Office (EUR -24.2 million), Hellberger (EUR -8.5 million) and Wasserstr. (EUR -7.0 million) in Germany; Targowek/Marborska (EUR -8.6 million) and Drawska (EUR -3.5 million) in Poland; Benice (EUR -2.2 million) and TQE (EUR -0.4 million). In addition there were repayments in Koliba in Slovakia (EUR -0.6 million); Main Budapest Bank, Orco Budapest, and other projects in Hungary (EUR -0.4 million); Gebauer Höfe and other projects in Germany (EUR -0.5 million); and refinancing of Molcom in Russia and Brno shopping centre (EUR -1.1 million and -0.7 million respectively).

Transfers of bank loans (EUR -26.1 million) are mainly due to the resolution of breaches on Gebauer Höfe in Germany (EUR -28.9 million) and reclassification of Kosic loan which falls due within 12 months (EUR 1.6 million).

As at 30 June 2010, the movements in current bonds are the following:

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Current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2009	-	59,219	59,219
Interest from 31 Dec - 19 May	-	1,306	1,306
Balance at 19 May 2010	-	60,525	60,525
Derecognition of bonds	-	-60,525	-60,525
Entry of new bonds	3,000	5,978	8,978
Own bonds	-25	-456	-481
Balance at 30 June 2010	2,975	5,522	8,497

The table shows the current portion of the Safeguard bonds. As at 19 May 2010 the current portion of the total bonds has been valued at EUR 8.5 million.

11.4 Borrowings maturity

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The following tables describe the maturity of the Group's borrowings. As at 30 June 2010, the total bonds and financial debts amount to EUR 1,291.9 million (EUR 1,600.5 million at 31 December 2009).

At 30 June 2010	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	21,983	176,882	24,099	222,964
Convertible bonds	-	7,741	38,109	6,166	52,016
Non Convertible	-	14,242	138,773	17,933	170,948
Financial debts	-	315,637	99,831	75,216	490,684
Bank loans	-	315,637	99,831	61,368	476,836
Bank loans fixed rate	-	2,684	18,134	12,865	33,683
Bank loans floating rate	-	312,953	81,697	48,503	443,153
Other non-current borrowings	-	-	-	13,433	13,433
Finance lease liabilities	-	-	-	415	415
Total	-	337,620	276,713	99,315	713,648
Current					
Bonds	8,497	-	-	-	8,497
Convertible bonds	2,975	-	-	-	2,975
Non Convertible	5,522	-	-	-	5,522
Financial debts	531,919	-	-	-	531,919
Bank loans	529,013	-	-	-	529,013
Bank loans fixed rate	102,844	-	-	-	102,844
Bank loans floating rate	426,169	-	-	-	426,169
Other borrowings	2,906	-	-	-	2,906
Liabilities linked to assets held for sale	37,876	-	-	-	37,876
Bank loans floating rate	37,876	-	-	-	37,876
Total	578,292	-	-	-	578,292
TOTAL	578,292	337,620	276,713	99,315	1,291,940

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At 31 December 2009	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	-	258,720	150,677	409,397
Convertible bonds	-	-	150,375	-	150,375
Non Convertible	-	-	108,345	150,677	259,022
Financial debts	-	18,492	392,094	74,048	484,634
Bank loans	-	18,492	392,094	58,816	469,402
Fixed rate	-	2,599	17,932	9,768	30,299
Floating rate	-	15,893	374,162	49,048	439,103
Other non-current borrowings	-	-	-	14,110	14,110
Finance lease liabilities	-	-	-	1,122	1,122
Total	-	18,492	650,814	224,725	894,031
Current					
Bonds	59,219	-	-	-	59,219
Convertible bonds	-	-	-	-	-
Non Convertible	59,219	-	-	-	59,219
Financial debts	595,776	-	-	-	595,776
Bank loans	593,475	-	-	-	593,475
Bank loans fixed rate	99,798	-	-	-	99,798
Bank loans floating rate	493,677	-	-	-	493,677
Other borrowings	2,301	-	-	-	2,301
Liabilities linked to assets held for sale	51,451	-	-	-	51,451
Bank loans floating rate	51,451	-	-	-	51,451
Total	706,446	-	-	-	706,446
TOTAL	706,446	18,492	650,814	224,725	1,600,477

- In 2010**

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

The decrease in current bank loans compared to 31 December 2009 is mainly due to the reclassification of non-current loans with breaches on financial covenants of EUR 28.9 million (see note 11.2 Non-current Financial debts). This is partly offset by a reduction of EUR -1.6 million due to the reclassification of Kasic bank loan which falls due within one year.

The Group has entered into interest rate derivatives representing 88.1% of the non-current floating rate borrowings (72.7% in 2009) and 37.0% of the current floating rate borrowings (35.7% in 2009), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

- In 2009**

The increase in current floating rate bank loans is mainly due to the transfer of breached loans in respect of Suncani Hvar, Franklinkstrasse, and main Budapest Bank for respectively EUR 41.1 million, EUR 29.4 million and EUR 19.6 million. In addition there was a transfer of Sky Office (EUR -65.2 million), Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); and Viterra (-2.7 million) loans which are due in 2010.

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The fixed rate bond in current liabilities (EUR 47.9 million) was transferred from non-current bonds in 2009 as this is due to be repaid in 2010 (nil in 2008).

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

The Group has entered into interest rate derivatives representing 72.7% of the non-current floating rate borrowings (in 2008: 72.8%) and 35.7% of the current floating rate borrowings (in 2008: 51.3%) 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 1.108 billion (1.087 billion as at 31 December 2008).

Held for sale liabilities in Current represent the loans in respect of Helberger, Stein, Budapest Bank, and Wasserstrasse which are classified as held for sale and accrued interests amounting to EUR 0.3 million.

11.5 Breached Loans

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

11.6 Undrawn bank credit facilities

	30 June 2010	31 December 2009
Expiring within one year	92,423	98,064
Expiring after one year	51,977	34,771
Total	144,400	132,835

12. Other net financial results

	30 June 2010	30 June 2009
Change in carrying value of liabilities at amortised cost	269,549	-
Change in fair value and realised result on derivative instruments	-1,238	-2,666
Change in fair value and realised result on other financial assets	257	-14,738
Other net finance charges	-13,163	-3,302
Gain (loss) on other financial results	255,405	-20,706

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Change in the carrying value of liabilities relates to gains on the revaluation of bonds following the approval of the Safeguard plan. This arises from the derecognition of the value of bonds on the date of approval of the Safeguard plan (19 May 2010) of EUR 388.9 million and EUR 17.1 million accrued interest and recognition of the new valuation of EUR 135.9 million and own bonds of EUR 7.0 million. For further discussion see note 2.1 and note 11.

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

Other finance charges consist mainly of impairment of loan receivables registered in other current assets to third party (EUR -9.4 million), finance and legal fees relating to the financial restructuring, and bank charges.

13. Income Taxes

The income tax expense recognized in the income statement amounts to EUR -4.3 million and is mainly composed of deferred income taxes expense linked to the revaluation of the GSG properties portfolio (EUR -8.2 million) and from the derecognition of the deferred tax liabilities on the Kaluga project in Russia (EUR 1.8 million).

14. Capital

	Number of shares	Capital	Share premium
Balance at 31 December 2008	10,943,866	44,870	400,524
Balance at 31 December 2009	10,943,866	44,870	400,524
Capital increase	3,110,000	12,751	3,464
Balance at 30 June 2010	14,053,866	57,621	403,988

On 6 April 2010, a capital increase of 1,090,000 new shares at EUR 5.61 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 1.51 to the share premium account of the Company, has been successfully issued.

On 8 April 2010, a capital increase of 1,420,000 new shares at EUR 5.00 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 0.90 to the share premium account of the Company, has been successfully issued.

On 14 April 2010, a capital increase of 600,000 new shares at EUR 5.00 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 0.90 to the share premium account of the Company, has been successfully issued.

The new ordinary shares issued during the 3 capital increases carry the same rights (including voting rights) as the existing shares.

The Company is preparing a prospectus for approval by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg, so that the New Shares from the second and third capital increases can be listed and admitted for trading on Euronext Paris, the Prague Stock

Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange. Until the New Shares are listed and admitted for trading on the above regulated markets, the New Shares shall be recorded, and remain recorded, as nominee account (compte nominatif pur) in the register of the Company held by CACEIS Corporate Trust. Following their listing and admission for trading on the above regulated markets, the New Shares will be fully fungible with the existing shares.

Authorized capital not issued

The Extraordinary Shareholders' Meeting held on 8 July 2008 renewed the authorisation granted by shareholders to the Board of Directors on 18 May 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorised capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorised capital of EUR 300,000,001.20 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorised capital.

The Board of Directors has been authorised and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalisation of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 8 July 2013.

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

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

New amendments on warrants

Following the execution of the "safeguard Plan" and the capital increases over the period, the following amendments have been adopted:

- Warrants 2012 (ISIN code : LU0234878881):

On 22 April 2010, the general meeting of the holders of the warrants 2012 extended the exercise period of the warrants from 18 November 2012 up to 31 December 2019. The exercise price and the exercise ratio remain the same.

- Warrants 2014 (ISIN code : XS0290764728):

On 25 March 2010, the general meeting of the holders of the warrants 2014 extended the exercised period of the warrants until 31 December 2019.

The exercise ratio has been adjusted following the capital increases. Each warrant 2014 shall entitle the holder to acquire 1.73 existing shares and/or subscribe to 1.73 new shares at the exercise price of EUR 11.20 to be paid in cash.

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15. Earnings per share

	30 June 2010	30 June 2009
At the beginning of the period	10,934,765	10,943,740
Shares issued	10,943,866	10,943,866
Treasury shares	-9,101	-126
Weighted average movements	1,304,000	-504
Issue of new shares	1,304,000	-
Treasury shares	-	-504
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	12,238,765	10,943,236
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	12,238,765	10,943,236
Net profit/(loss) attributable to the Equity holders of the Company	237,733	-199,857
Net profit/(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	237,733	-199,857
Basic earnings in EUR per share	19.44	-18.26
Diluted earnings in EUR per share	19.44	-18.26

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 PACEO signed with Société Générale on 13 August 2008 and for a period of 2 years expired in August 2010. As the Group does not intend to exercise this PACEO, the potential dilution has not been taken into account in the calculation of the earning per share ratio.

16. Related party transactions

• **Loans and advances with key management personnel**

On 15 May 2008, the Company granted a loan of 825,000 USD to Urso Verde S.A., a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of 15 May 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a forest in Chile in order to launch an 'Endurance forest fund' in conjunction with Orco and the Endurance Fund, which failed due to the current financial context. Urso Verde S.A. pledged 90 660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt (collateralized debt) and the Company exercised its pledge. On 28 and 31 August 2009, the Company sold 90,000 of the shares for an aggregate amount of EUR 812,250 (sale proceeds). Pursuant to the Share Pledge Agreement, the shares remaining after Urso Verde S.A.'s debt has been reduced to zero shall be returned unencumbered. Urso Verde S.A. requested return of the surplus EUR 132,298 in the form of shares.

On 18 June 2010 Urso Verde S.A. requested the Company to return 660 shares that were not sold by the Company during exercise of its pledge to repay debt of Urso Verde S.A. towards the Company. Urso Verde S.A. instructed that these shares shall be transferred to the account of OTT&CO.S.A. As at 30 June 2010, the Company had not returned the shares to Urso Verde S.A..

On 22 February 2007, the Company has granted a loan of EUR 216,068 to OTT&CO S.A. (previously Orco Holding). This loan had a maturity date on 1 March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the

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acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 31 December 2009, this loan (nominal and interests) had not been repaid (the “OPG Receivable”).

On 24 March 2010, Urso Verde S.A., OTT & CO S.A. and the Company have agreed to restructure their debts described in the previous paragraphs. The Company and Urso Verde S.A. agreed, that the Company shall return to Urso Verde S.A. surplus of EUR 132,298 left after sale of the shares in cash instead of returning of the shares, and that this amount shall bear an interest of 9% p.a. from 1 September 2009 until repayment (the “Urso Verde Receivable”). On 24 March 2010 Urso Verde S.A. assigned the Urso Verde Receivable amounting to EUR 138,985 (EUR 132,298, plus interest of EUR 6,687 as of 24 March 2010) to OTT&CO S.A. The Company and OTT & CO S.A. agreed to offset the Urso Verde Receivable of EUR 138,985 with the OPG receivable amounting to EUR 276,058 (EUR 216,068 principal, plus interest accrued of EUR 59,990) as of 24 March 2010, leaving EUR 137,073, being the outstanding principal of the OPG Receivable as of this date. As at 30 June 2010, the OPG Receivable has not been repaid and amounts to EUR 140,385 (nominal + accrued interests).

Besides, Orco Charter, a wholly owned subsidiary of OTT&CO S.A., remains creditor of Blue Yachts, a 70% subsidiary of Suncani Hvar, itself a subsidiary of the Company, for an amount of EUR 181,649 as of 30 June 2010, which has not been reimbursed to date.

• Transactions with the Endurance Real Estate Fund

As at 30 June 2010, open invoices for unpaid management fees amounted to EUR 6.9 million (EUR 7.2 million as at 31 December 2009). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 2.2 million revenues (EUR 1.2 million for the year 2009) and EUR 0.2 million expenses (EUR 1.3 million for the year 2009). They also resulted as at 30 June 2010 in a payable of EUR 0.1 million (EUR 0.3 million as at 31 December 2009) and a net loan payable of EU 0.3 million.

17. Events after balance sheet date

In July 2010, the sale of the commercial development for Peugeot in Warsaw has been finalised with a cash impact of EUR 5.2 million, out of which EUR 3.8 million net cash in and EUR 1.4 million of cash unblocked.

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

In July 2010, the Group closed the restructuring of Hospitality Invest S.à r.l. (the “joint venture”) with AIG Global Real Estate Europe.. The Group recovers upfront EUR 6.7 million cash and secures increased priority payments from future cash flows, while Hospitality Invest S.A. is recapitalized and the medium term bank loan secured.

The Profit Participating Loan (“PPL”) is a loan granted by both shareholders of the joint venture to the joint venture. These PPLs have a fixed interest rate of 1% and a variable interest rate determined by the accounting profit of the joint venture. These loans are subordinated to all other ordinary creditors.

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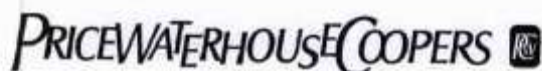
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As at July 8, 2010, the shareholders of the joint venture entered into an agreement which provided for its recapitalization under the terms of this agreement, including the followings:

- Additional Cash amounting to EUR 5.9 million was advanced by AIG Global Real Estate Europe to the joint venture, as an additional PPL, from which EUR 5 million was used to make a repayment on a loan granted by the Company to one of the subsidiary of the joint venture ("Pokrovka loan"). This will lead to the derecognition of the Pokrovka loan granted by the Company, currently recognised in the consolidated accounts as financial assets at fair value through profit or loss, and an increase of the PPLs recognized both in assets and in liabilities.
- Liabilities of the joint venture and its subsidiaries amounting to EUR 1.6 million due to the Group were set off against a corresponding increase in the PPLs;
- The Company assigned its interest as Lender on Pokrovka loan to the joint venture in consideration for an increase in the PPL advanced by the Group for an amount equal to the outstanding balance on Pokrovka loan of EUR 43.7 million.

The PACEO signed with Société Générale on 13 August 2008 and for a period of 2 years expired in August 2010 without being exercised.

7.2. Audited consolidated financial statements in accordance with IFRS as of and for the year ended 31 December 2009



Independent Auditor's report

To the Shareholders of
Orco Property Group S.A.

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Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orco Property Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2009, and the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

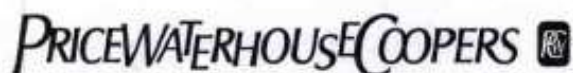
Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Orco Property Group S.A. and its subsidiaries as of December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.1 to the consolidated financial statements which indicates that the Group has substantial outstanding debts service obligation and capital requirements. The Group has experienced significant losses during the year ended December 31, 2009 and the operations of the Group have been significantly affected, and will continue to be affected for the foreseeable future, by the volatility in real estate market. The going concern of the Group is also dependent on the approval by the "Tribunal de Commerce de Paris" of the "Plan de Sauvegarde" and on the success of the financial restructuring of the Group proposed by the management. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In the event that the "Plan de Sauvegarde" is not approved by the "Tribunal de Commerce de Paris" or that the financial restructuring of the Group is not successful, Orco Property Group S.A.'s ability to continue as a going concern would not be assured. The consolidated financial statements would have to be prepared on a break-up basis of accounting having impacts on the valuation and on the classification of assets and liabilities, the amounts of which cannot be measured at present.

Report on other legal and regulatory requirements

The annual management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

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

Luxembourg, April 2, 2010

A handwritten signature in blue ink, appearing to read 'Marc Minet'.

Marc Minet

ORCO PROPERTY GROUP
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I. Consolidated income statement

The accompanying notes form an integral part of these consolidated financial statements.

		Year ended 31	
	Note	Dec 2009	Dec 2008
Revenue	5	251,531	299,926
Net loss from fair value adjustments on investment property	5, 8	-177,598	-216,951
Other operating income		3,150	6,195
Net loss on disposal of assets	5, 8	-631	-1,060
Cost of goods sold	14	-115,726	-127,762
Employee benefits	22	-49,286	-59,342
Amortisation, impairments and provisions	5, 9, 14	-89,354	-188,517
Other operating expenses	23	-76,303	-99,260
Operating result		-254,217	-386,771
Interest expenses	19	-86,850	-74,719
Interest income	19	8,707	10,110
Foreign exchange result	24	4,686	-21,194
Other net financial results	25	-36,700	-41,839
Financial result		-110,157	-127,642
Loss before income taxes		-364,374	-514,413
Income taxes	26	48,858	50,595
Net loss for the year		-315,516	-463,818
Total loss attributable to:			
non controlling interests	18	-64,952	-73,258
owners of the Company		-250,564	-390,560
Basic earnings per share (in EUR)	27	-23.35	-36.94
Diluted earnings per share (in EUR)	27	-23.35	-36.94

Year ended 31 December		
	2009	2008
Loss for the year:	-315,516	-463,818
Other comprehensive income		
Currency translation differences	-3,762	-13,532
Total comprehensive income for the year	-319,278	-477,350
Total comprehensive income attributable to:		
- owners of the Company	-253,427	-400,419
- non controlling interests	-65,851	-76,931

II. Consolidated balance sheet

The accompanying notes form an integral part of these consolidated financial statements.

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Assets			
	Note	31 December 2009	31 December 2008
NON-CURRENT ASSETS		1,392,979	1,710,798
Intangible assets	7	48,903	57,074
Investment property	8	1,072,304	1,211,718
Property, plant and equipment		235,677	363,973
Hotels and own-occupied buildings	9	215,393	245,273
Fixtures and fittings and other equipments	11	20,284	19,027
Properties under development	12	-	99,673
Financial assets at fair value through profit or loss	13	32,353	70,681
Deferred tax assets	26	3,742	7,352
CURRENT ASSETS		630,554	753,312
Inventories	14	482,605	529,827
Trade receivables		31,379	36,962
Other current assets	16	56,347	95,436
Derivative instruments	19	2,695	5,098
Current financial assets		488	2,190
Cash and cash equivalents	17	57,040	83,799
ASSETS HELD FOR SALE	8, 9, 10	48,930	-
TOTAL		2,072,463	2,464,110

Equity and liabilities			
		31 December 2009	31 December 2008
EQUITY		104,730	420,874
Equity attributable to owners of the Company		56,577	304,633
Non controlling interests	18	48,153	116,241 (1)
LIABILITIES		1,967,733	2,043,236
Non-current liabilities		1,021,463	1,468,366
Bonds	19	409,397	429,437
Financial debts	19	484,634	826,483
Provisions & other long term liabilities	20	16,918	29,625
Derivative instruments	19	9,289	14,917
Deferred tax liabilities	26	101,225	167,904
Current liabilities		894,819	574,870
Current bonds	19, 21	59,219	11,075
Financial debts	19, 21	595,776	298,761
Trade payables	21	33,480	59,577
Advance payments	21	53,212	61,120
Derivative instruments	19	44,380	38,382
Other current liabilities	21	108,752	105,955 (1)
Liabilities held for sale	10, 21	51,451	-
TOTAL		2,072,463	2,464,110

Restated: see Note 2.1.4. for adjustments on comparatives

* Restated (see note 2.1)

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III. Consolidated statement of changes in equity

The accompanying notes form an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 1 January 2008		44,431	395,762	28,498	-15,158	280,667	734,200	203,823	938,023
Gains/(losses) for the year :									
Translation differences				-9,859			-9,859	-3,673	-13,532
Loss of the year						-390,560	-390,560	-73,258	-463,818
Dividends relating to 2007						-14,892	-14,892	-341	-15,233
Capital increase	28	439	4,762			-337	4,864	1,235	6,099
Own equity instruments					-5,161	-1,050	-6,211		-6,211
Non controlling interests' transactions						-12,909	-12,909	-11,545	-24,454 (1)
Balance at 31 December 2008		44,870	400,524	18,639	-20,319	-139,081	304,633	116,241	420,874
Loss for the year :									
Translation differences				-2,863			-2,863	-899	-3,762
Loss of the year						-250,564	-250,564	-64,952	-315,516
Total comprehensive income				-2,863		-250,564	-253,427	-65,851	-319,278
Own equity instruments	19				945	2,923	3,868		3,868
Non controlling interests' transactions	18					1,503	1,503	-2,237	-734
Balance at 31 December 2009		44,870	400,524	15,776	-19,374	-385,219	56,577	48,153	104,730

* Restated (see note 2.1)

IV. Consolidated cash flow statement

The accompanying notes form an integral part of these consolidated financial statements.

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	31 December 2009	31 December 2008
Operating result	-254,217	-386,771
Net loss from fair value adjustments on investment property	177,598	216,951
Amortisation, impairments & provisions	89,354	188,517
Net loss on disposal of assets	631	1,060
Stock options and warrants plans	3,500	-
Adjusted operating profit/(loss)	16,866	19,757
Financial result	-433	26
Income tax paid	-3,711	-17,896
Financial result and income taxes paid	-4,144	-17,870
Changes in operating assets and liabilities	-23,656	-84,324
NET CASH USED IN OPERATING ACTIVITIES	-10,934	-82,437
Capital expenditures and tangible assets acquisitions	-36,258	-206,950
Proceeds from sales of non current tangible assets	66,574	133,594
Purchase of intangible assets	-390	-1,648
Purchase of financial assets	-1,159	-21,131
Net interest paid	-77,900	-70,961
NET CASH USED IN INVESTING ACTIVITIES	-49,133	-167,096
Net issue of equity instruments to shareholders	945	40
Proceeds from borrowings	97,032	324,053
Repayments of borrowings	-65,249	-233,519
Dividend paid to Company's shareholders	-	-14,892
NET CASH FROM FINANCING ACTIVITIES	32,728	75,682
NET DECREASE IN CASH	-27,339	-173,851
Cash and cash equivalents at the beginning of the year	83,799	257,977
Exchange difference on cash and cash equivalents	580	-327
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	57,040	83,799

Notes to the consolidated financial statements

General information

Orco Property Group, société anonyme (“the Company”) and its subsidiaries (together the “Group”) is a real estate group with a major portfolio of investment properties 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 active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business.

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2009.

The Board of Directors has the power to amend the consolidated financial statements after issue.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in thousands of euros and have been prepared under the historical cost convention except that investment property is carried at fair value and financial assets and financial liabilities (including derivative instruments) at fair value through income statement.

2.1 Basis of preparation and Going concern

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

2.1.1 Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group’s financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3. In general, the situation is comparable to the one described in the 2008 consolidated financial statements and the economic environment in which the Group operates has stabilized. Even though the valuation of certain investment properties and developments further decreased, the Group has made progress in the implementation of its restructuring plans allowing the same conclusion on the going concern.

2.1.1.1 2009 results

In the year ended December 31, 2009, the Group has made a loss of EUR 315.6 million (EUR 250.6 million attributable to the Group) out of which EUR 248.1 million (approximately the same level as at June 2009 since the higher devaluations of investment properties have been compensated by lower impairments on developments, EUR 371.8 million in 2008) for lower valuation due to the financial crisis. The Group witnessed a further increase of the loan to value to 84.3% as at December 2009 compared to 67.5% as at December 2008. Valuation in its nature is on an asset by asset basis, with each city where we do business affected at different degrees by the crisis. Each project is at a different stage and its success lies in a mix of customer demand and bank financing availability to us as developer, or as landlord when we decide to keep a building for rental revenues. As such the portfolio of income producing assets, mainly rent, has been cautiously devaluated down to reflect yields increasing by 50 to 150 basis points and currency risks. Developments are more complex to value due to their uncertain nature. Parameters to take into account are, among others, the land bank value, permits, pre-sales, sales, construction achievements, replacement cost and developer’s expected margins. The Management is confident that the valuation of the Group assets is cautious and although one shall not decline the possibility for the market to worsen it shall also see that the value creation in real estate is based on the different parameters listed above and the Management capacity to implement them. As such one shall see also the possibility to rebound, in some cases, just by completing construction.

The loss, being mainly the consequence of the decrease in the valuations of the properties and developments, caused further breaches of bank financing covenants (see note 19). As a result some bank loans might be recalled by the financing banks. However, no early repayment call was made on that basis during 2009. The decrease in value is not only the result of the market evolution but also linked to the projects that have been put on hold. This should allow a fast value creative restart once the balance sheet restructuring will be finalized. The total amount of debts to be refinanced or repaid upon sale of the assets in 2009 amounts to EUR 706.4 million (See note 19.3 on borrowings maturity). This amount includes EUR 59.2 million of bonds that are proposed to be termed out within the Plan de Sauvegarde, EUR 51.4 million of loans financing assets that are held for sale and EUR 179.7 million of loans with a contractual term of more than one year but technically considered in breach while not declared in default by the banks. The remaining part of EUR 416.1 million is planned to be either prolonged upon successful negotiations with the lending bank or repaid upon sale of the financed asset.

“Procédure de Sauvegarde”

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Beginning of 2009, Orco Property Group's Board of Directors decided to apply for the Company to benefit from a Court Protection from creditors ("Procédure de Sauvegarde"). A Court Hearing was held on 25 March 2009 with the Paris Commercial Court ("Tribunal de Commerce de Paris"). On the same day, the Court rendered a judgement opening the "Procédure de Sauvegarde" (the "Sauvegarde") for Orco Property Group S.A., the Group's parent company, and Vinohrady SARL, a French subsidiary, for a renewable six months period. Since then, the initial period has been prolonged twice with the last period end in June 2010. By the end of March 2010, a Plan de Sauvegarde will be circulated to all the Company creditors and submitted for approval before the end of the Procédure de Sauvegarde to the Court. The Board of Directors and the Management are confident that the plan prepared forms a sustainable business plan allowing the Company to repay the bonds and other debts over the coming ten years.

During the Sauvegarde period, all the liabilities prior to the judgement pronouncement are frozen. This means that, except for a Court decision to early terminate the Sauvegarde which is seen by the Management and the Board of Directors as extremely unlikely, interests on debts and bonds continue to be accrued based on contractual arrangements but the Company is exempted to repay any liabilities until the end of the Sauvegarde.

Restructuring plan implemented by the management

The Sauvegarde procedure has provided a legal time frame for the implementation of the restructuring plan of the Group that enables the Company to accelerate its transition to a 'new Orco': simplified and streamlined in terms of business and geographical presence

integrated in terms of ownership and control of its subsidiaries

centered on a cash flow sustainable Orco Property Group S.A.

adapted and lighter cost-structure

lowered pressure on the short term liquidity by the restructuring of its bond and bank debts

preserved potential of the development pipeline.

Faced with liquidity issues that may put at risk the integrity and value of its portfolio, the management team has been implementing the first phase of a restructuring plan focused on cash generation and preservation for its mother company Orco Property Group S.A.. Therefore, the necessary actions aiming at returning to profit are implemented. The actions include: selling non core businesses, renegotiation of existing bank loans, restructuring of the issued bond debts, improving margins through a cost reduction programme (reduction of operating expenses and investments), etc.

Many progresses have been made in the restructuring plan of the Group under the protection of the Safeguard procedure opened on the 25th of March 2009:

A calendar has been set with the circularization of the Plan de Sauvegarde proposing a term out over ten years of all the Company debt to be submitted for approval before the end of the Procédure de Sauvegarde to the Court.

In its restructuring plan the Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring can't be achieved in the short or medium term (see note 14). Some of these assets or activities have already been sold as at June 2009 and particularly the property management activities, the residential Project Fehrbelliner Hofe in Berlin and the residential project City Gate in Bratislava.

35% of the Group bank loans have been successfully renegotiated since the beginning of the year by either solving existing and potential covenants' breaches or extending construction credit lines repayment schedules. Negotiations are still continuing on the remaining debts with existing or potential covenants breaches and for assets and developments where restructuring needs have been identified in the restructuring plan.

The restructuring of the operations and teams has already led to significant operating expenses decrease compared to 2008. The cost reduction plan already generates improvements with the sum of

employee benefits and the other operating expenses decreasing by more than 20%. The decrease would have been sharper without all the legal and consulting costs specific to the Safeguard procedure amounting to EUR 3.7 million. Further decreases are expected in 2010 and 2011 with the restructuring of Orco Germany (fully consolidated subsidiary held at 58% as at December 2009, OG) to be completed by the end of June 2010 and the restructuring of the group management in two business lines (Development and Asset management) also to be completed by the end of June 2010. The management is currently discussing with all its joint venture and investment partners in order to restore the liquidity of its loans granted to these joint ventures by having them repaid either in cash or converted in equity. In particular, some achievements with agreements finalized can already be reported :

An agreement has been finalized with our Hospitality joint venture partner whereby EUR 20 million out of the Company EUR 46 million shareholder loan will be restructured once all condition precedents are met. Our partner will inject EUR 10 million in cash in Hospitality Invest for partial repayment to the Company, while EUR 10 million of shareholder loan will be converted into equity in the joint venture leaving both partners at a 50% shareholding.

An agreement has been reached on the conversion of its EUR 17.6 million shareholder loan in OG into equity. This operation is made possible thanks to an agreement signed by OG, MSREF V Turtle B.V. (an investment vehicle managed by Morgan Stanley currently holding 28.91% of ORCO Germany S.A.) and the Company on August 26, 2009. Once all conditions precedents are met, the loan will be converted into 10,991,750 OG new shares at an issue price of EUR 1.60 per share where December 2009 net asset value stood at EUR 1.73, increasing the Group control from 58.10% to a 65% stake in its subsidiary.

The cash flow forecast that was established with the support of Grant Thornton (except for Hvar hotels and Russian assets) in order to demonstrate the Group's ability to implement a recovery plan with the objective to finance its cash needs has proven to be conservative compared to the actual cash flows. This was mainly achieved as a result of the lower operating costs and the Group's ability to continue deliver residential projects and respond to the market demand that has not disappeared (the market depth has been notably very different from one city to another over the last months).

Furthermore solutions where the equity of the Group can be increased by injection of fresh cash are also studied.

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

The Group's status as a going concern depends mainly and directly on the approval of the "Plan de Sauvegarde" by the "Tribunal de Commerce de Paris", the successful achievement of an operating and financing restructuring plan and the disposal plan of non strategic assets, the nature and impact of which cannot be measured at this stage.

Some subsidiaries and joint ventures held by the Group require funding to continue as a going concern. The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring. These capital allocations require the approval of the Investment Committee and, depending on the materiality, of the Juge Commissaire.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Central Europe could damage the Group's activity and slow down the asset sales program. It should be noted that this environment has generally been stabilized over the last months of 2009.

Conclusion

Upon the information made available, the Directors estimate that a rescheduling of the Group debt is highly probable within the safeguard framework, that residential and selective asset sales will continue. The renegotiation of certain debts and the sale of some assets are essential to the realization of the recovery plan. Should the Company not be able to implement those, the going concern would not be assured. Thus, the consolidated financial statement would have to be amended to an extent which today cannot be estimated in respect of the valuation of the assets at their liquidation value, the

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incorporation of any potential liability and the reclassification of non current assets and liabilities into current assets and liabilities.

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

the current circumstances present uncertainties that cast some doubt on the Group's ability to continue as a going concern

considering the expected outcome of the safeguard period and restructuring program, and after making appropriate enquiries, there is a reasonable expectation that the Group can continue its operations in the foreseeable future and, accordingly, have formed a judgement that it is appropriate to prepare consolidated financial statements upon a going concern basis.

Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Changes in accounting policies

The accounting policies have been consistently applied by Group's entities and are consistent with those used in the previous year except for the application of the revised and new standards and interpretations applied as from 1 January 2009 described below.

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

IAS 1 (revised), 'Presentation of financial statements'. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

IFRS 8, 'Operating Segments'. The new standard replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This new standard did not have any major impact on the consolidated financial statements.

IAS 40, 'Investment property', amendment (and consequential amendment to IAS 16, "Property, plant and equipment). The amendments are part of the IASB's annual improvements project published in May 2008 and are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Such property is measured at fair value. The effects of adoption by the Group are disclosed in note 8.

IAS 23 (amendment), 'Borrowing costs'. This amendment has limited impact for the Group, as the Group already applied a policy of capitalising borrowing costs on qualifying assets.

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

Amendment: IFRS 7, 'Improving disclosures about financial instruments'. The IASB published amendment to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a three-level fair value measurement hierarchy. In addition to that, the amendment clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and secondly requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. The entity has to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The adoption of the amendment results in additional disclosures but does not have an impact on profit or earnings per share.

The following amendments have been early adopted by the Group:

IFRS 3 (revised), 'Business combinations' was early adopted by the Group in 2009 and applied prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payment classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non controlling interest in the acquiree either at fair value or at non controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

IAS 27 (revised), 'Consolidated and separate financial statements' – effective for annual reporting periods beginning on or after 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is already the accounting policy elected by the Group. The standard also specifies the accounting when control is lost. Any

remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in the income statement. The Group has applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2009.

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

IFRS 2 (amendment) 'Share-based payment'.

IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements'.

IFRIC 13, 'Customer loyalty programmes'.

IFRIC 15, 'Agreements for the construction of real estate'.

IFRIC 16, 'Hedges of a net investment in a foreign operation'.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

IAS 24 (revised), 'Related party disclosures' – effective from 1 January 2011; (1)

IFRS 9, 'Financial instruments' – effective for annual reporting periods beginning on or after 1 January 2013. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value. (1)

The following new standards, amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but are expected to have a very limited impact for the Group:

IAS 1 (amendment), 'Presentation of financial statements';

IAS 32 (amendment), 'Classification of right issues' – effective from 1 February 2010;

IAS 39 (amendment), 'Financial instruments: Recognition and measurement – Eligible hedged items' – effective from 1 July 2009;

IFRS 1 (amendment), 'Additional exemptions for first-time adopters' – effective from 1 January 2010 (1);

IFRS 2 (amendment), 'Group cash-settled share-based payment transactions' – effective from 1 January 2010; (1)

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' – effective from 1 July 2009;

IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39 'Financial instruments: Recognition and measurement' – effective from 1 July 2009;

IFRIC 14 (amendment), 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions' – effective from 1 January 2011; (1)

IFRIC 17, 'Distributions of non-cash assets to owners' – effective from 1 July 2009;

IFRIC 18, 'Transfers of assets from customers' – effective from 1 July 2009;

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' – effective from 1 July 2010.
(1)

These standards and interpretations have not been yet endorsed by the European Union

As part of its annual improvements project published in May 2008 and April 2009, the IASB has slightly amended various standards. The improvements focused on areas of inconsistencies in IFRSs or where clarification of wording was required. Most of the amendments (not already effective for annual periods beginning on 1 January 2009) are effective for annual periods beginning on 1 January 2010, with earlier application permitted. The Group does not expect any significant impact of these amendments on its consolidated financial statements. The improvements to IFRSs published in April 2009 have not yet been endorsed by the European Union.

2.1.4 Comparatives

2008 comparatives for Other current liabilities and Minority interests have been reclassified due to the liquidation of Endurance REF CE Hospitality Sub Fund. In 2008, the Group proceeded to the liquidation of the Endurance REF CE Hospitality Sub-fund, (shareholding of the Group of 88%). It resulted in a decrease in the non controlling interests of EUR 5.0 million, whereas this impact was presented on the Equity attributable to owners of the Company on the 2008 consolidated financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On and acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint-ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint-ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint-venture that is attributable to the joint-venture partners. The Group does not recognise its share of profits or losses from the joint-venture that result from the Group's purchase of assets from the joint-venture until it resells the assets to an independent party. A loss on the transaction is recognized immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint-ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Executive Committee together with the Investment Committee are the chief operating decision maker of the Company.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all Group's entities is the local currency. The consolidated financial statements are presented in euro (EUR), which is the Company's functional and Group's presentation currency.

Following the adoption of Euro by Slovakia, Euro became the functional currency of the Slovakian entities as at 1st January 2009.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement. Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized in the consolidated income statement as part of the fair value gain or loss. Translation differences on investment properties held at fair value through profit or loss are recognized in the consolidated income statement as part of the foreign exchange result.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement presented are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences arising from the translation of the net investment in foreign entities are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint-ventures is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

Negative goodwill arising on an acquisition is recognized in consolidated the income statement.

(b) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortised using the straight-line method over their estimated useful lives (not exceeding three years).

(c) Trademarks

Acquired trademarks are shown at historical cost. When they have indefinite useful life, trademarks are tested annually for impairment or whenever there is an indication of impairment. They are carried at cost less accumulated impairment losses.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, is classified as investment property.

Investment property comprises of freehold land, freehold buildings, extended stay residences, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the consolidated financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value, due to the application since the beginning of the year 2009 of the IAS 40 revised. The properties previously recognized as Properties under development as at 31 December 2008 have been transferred as at 1 January 2009 in Investment Property at their 31 December 2008 fair value.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive, the building permit granted and the start of construction validated. Therefore, the transfer at fair value of the land to Property, plant and equipment or Inventories is recorded only when the building permit is granted and the start of the construction has been validated by the investment committee as it is determined as being the start of the development.

Hotel buildings held by the Group are not classified as Investment property but rather as Property, plant and equipment.

2.7 Property, plant and equipment

Hotels, own-occupied buildings and fixtures and fittings are classified as property, plant and equipment. Properties under development are classified as property, plant and equipment only if their future use is Hotel or own-occupied building.

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, starts off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

Land	Nil
Buildings	50 to 80 years
Fixtures and fittings	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.8 Leases

(a) *A Group company is the lessee*

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(b) *A Group company is the lessor*

Operating lease

Properties leased out under operating leases are included in investment property in the balance sheet.

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.9 Impairment of non-financial assets

Intangible assets including goodwill and trademark that have an indefinite useful life are not subject to systematic amortization and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.10 Financial assets

The Group classifies its financial assets other than derivatives in the following categories: non-current loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (note 2.12) and other current assets in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method. Financial assets recognized in the consolidated balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortised cost less provision for impairment.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in note 2.12.

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

The Group subscriptions in investment property closed end funds managed by the Group are categorized as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. Financial assets at fair value through profit or loss (including derivatives) are initially recognized at fair value, and transaction costs are expensed in the income statement, and subsequently carried at fair value.

Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

2.11 Inventories

Properties that are being developed for future sale are classified as inventories at their cost or deemed cost, which is the carrying amount at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

If a commercial and office development classified in Inventories becomes partially or totally rented, as a result of tenants moving in before the contemplated sale, it is not automatically reclassified as Investment Property. The finished good will be reclassified in investment property if it is held mainly for capital appreciation. This will be appreciated on the basis of the Investment Committee decision to hold the asset and the absence of an active search for a buyer.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options classified in equity are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

The shares of the Company (Orco Property Group, société anonyme) held by the Group -Treasury shares - are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

2.15 Borrowings

The term Borrowings covers the elements recorded under the captions Bonds and Financial debts within the non-current liabilities and the caption Bonds and Financial debts within current liabilities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion at maturity of the bonds. If applicable, the remainder of the proceeds is allocated to the conversion option is recognized in equity, net of income tax effect.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax on investment property

Deferred income tax is provided on all temporary differences arising on fair value of buildings and lands held by the Group as investment properties even when they are located in special purpose entities, which are themselves, in most cases, held by a Luxembourg-based company. Generally, each special purpose entity is meant to hold one specific project. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal will be exempted from any tax (in accordance with the Grand-ducal regulation of 21 December 2001), if the Luxembourg-based company holds or commits itself to hold this stake for a minimum of a continuous 12-month period and, if, during this same period, the stake amounts to at least 10% of the affiliate's capital or the acquisition price amounts to at least EUR 6 million.

2.18 Provisions and post-employment obligations

Provisions for environmental restoration, site restoration and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than

not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

The Group has entered into defined benefit plans define as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.19 Derivative financial instruments

Derivatives are initially recognized in the consolidated balance sheet at their fair value on a date a derivative contract is entered into and are subsequently remeasured at their fair value which is generally the market value. Derivatives are presented at the balance sheet date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the consolidated income statement under other net financial results.

Embedded derivatives that are not equity instruments, such as issued call options embedded in exchangeable bonds, are recognized separately in the consolidated balance sheet and changes in fair value are accounted for through the consolidated income statement.

2.20 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognized in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The amount of inventories recognized as an expense during the period, referred to as cost of goods sold, consists of those costs previously included in the measurement of inventory that has been sold during the year.

The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Share option plans

Share options are granted to certain directors and senior employees. The options are granted at the market price on the date of the grant and are exercisable at that price.

The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2.23 Subscription rights and PACEO ("Programme d'Augmentation de Capital par Exercice d'Options")

The Group grants subscription rights to third parties as part of its financing program. Any consideration received is added directly to equity as a capital increase recorded in share capital and share premium. Changes in the fair value of those equity instruments are not recognized in the consolidated financial statements.

Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Group's Chief Financial Officer (CFO) and his team. As a result of the current restructuring, the policies are under review for approval by the Board of Directors. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board of Directors will provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), the Croatian Kuna (HRK) and secondarily to the US Dollar (USD) and the Russian Ruble (RUB). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Loans, operating income and - except in the development activities - sales of buildings are mainly denominated in Euro (EUR). The Group does not use significant foreign currency derivatives contracts, as salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are mainly denominated in local currencies. The main circumstance for the Group to put in place a currency derivatives is for the financing of a construction contract when the local currency operations do not generate sufficient cash and as a result that construction contract must be financed with another currency.

The exchange rates to euro (EUR) used to establish these consolidated financial statements are as follows:

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Currency Code	Currency	31 December 2008		31 December 2009	
		Average	Closing	Average	Closing
CZK	Czech Koruna	25.045	26.93	26.4992	26.465
HUF	Hungarian Forint	250.8625	264.78	280.5533	270.84
HRK	Croatian Kuna	7.2228	7.3244	7.3339	7.28428
PLN	Polish Zloty	3.5321	4.1724	4.3407	4.1082
RUB	Russian Ruble	36.7961	41.4411	44.3172	43.3883
SKK	Slovak Koruna	31.143	30.126	N/A	N/A
USD	US Dollar	1.4726	1.3917	1.3962	1.4406

The following table gives the impact on the total balance sheet in absolute terms in EUR million of the variation (increase/decrease) by 5 % against the Euro for each currency in which the Group has a significant exposure.

December 2009	Change of 5% against EUR
CZK/EUR	1.5
PLN/EUR	1.7
HUF/EUR	3.1
HRK/EUR	2.0

December 2008	Change of 5% against EUR
CZK/EUR	1.3
PLN/EUR	1.4
HUF/EUR	3.9
HRK/EUR	2.2

Positions in foreign currencies have slightly decreased since December 2008. Except in Hungary where all the bank financing are denominated in Euro, bank financing of residential developments are generally denominated in local currency as opposed to bank financing of investment properties that can be either expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euro in companies having another currency as functional currency.

(ii) Price risk

The Group is exposed to equity securities and embedded derivatives on instruments issued by the Group because of investments held by the Group and classified in the consolidated balance sheet at fair value through profit or loss or as trading financial instruments. To manage its price risk arising from investments in equity securities and such embedded derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed.

(iii) Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area – Central and Eastern Europe and Russia - such activities are spread over several business lines (residences, offices, hotels) and different countries.

(b) Credit risk

The Group has no significant concentrations of credit risk. Rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution. Credit risk is managed by local management and by Group management.

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At 31 December 2009	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade receivables gross	26,575	3,627	1,177	-	14,408	45,787
Impairments at 31 December 2008					-9,761	-9,761
Impairments - Scope Exit					372	372
Impairments - allowance					-4,237	-4,237
Impairments - write-back					430	430
Impairments - transfers					-1,135	-1,135
Foreign exchange impairments					-77	-77
Total trade receivables	26,575	3,627	1,177	-	-	31,379
Other current assets gross	49,201	525	21	186	7,319	57,252
Impairments at 31 December 2008					-1,566	-1,566
Impairments - allowance					-6,888	-6,888
Impairments - write-back						0
Impairments - transfers					1,135	1,135
Total other current assets (i)	49,201	525	21	186	-	49,933
Cash and cash equivalents gross	57,040	-	-	-	-	57,040
Impairments at 31 December 2008					-	-
Impairments - allowance					-	-
Total cash and cash equivalents	57,040	-	-	-	-	57,040
Derivatives gross	2,695	-	-	-	-	2,695
Impairments at 31 December 2008					-	-
Impairments - allowance					-	-
Total Derivatives	2,695	-	-	-	-	2,695

(i) The other current assets excluded in this table represent mainly tax receivables amounting to EUR 6.4 million.

At 31 December 2008	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade receivables gross	28,076	8,424	382	80	9,761	46,723
Impairments at 31 December 2007					-9,183	-9,183
Impairments - allowance					-7,083	-7,083
Impairments - write-back					1,496	1,496
Impairments - transfers					5,009	5,009
Total	28,076	8,424	382	80	-	36,962
Other financial receivables gross	51,512	1,373	64	85	1,567	54,601
Impairments at 31 December 2007					-97	-97
Impairments - allowance					-334	-334
Impairments - write-back					1,191	1,191
Impairments - transfers					-2,327	-2,327
Total	51,512	1,373	64	85	-	53,034
Cash and cash equivalents gross	83,799	-	-	-	-	83,799
Impairments at 31 December 2007					-	-
Impairments - allowance					-	-
Total	83,799	-	-	-	-	83,799
Derivatives gross	5,098	-	-	-	-	5,098
Impairments at 31 December 2007					-	-
Impairments - allowance					-	-
Total cash and cash equivalents	5,098	-	-	-	-	5,098

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In 2009

In 2009, the Group has recorded impairments on trade receivables amounting to EUR 4.2 million (mainly EUR 3.8 million in Germany and EUR 0.2 million in Czech Republic) and a reversal of impairment of EUR 0.4 million (mainly EUR 0.2 million in Czech Republic), in application of the Group management review of the overdue receivables.

In 2008

In 2008, the Group has recorded impairments on trade receivables amounting to EUR 7.1 million (mainly EUR 5.8 million in Germany and EUR 0.8 million in Slovakia) and a reversal of impairment of EUR 1.5 million (mainly EUR 1.3 million in Germany), in application of the Group management review of the overdue receivables.

The table below shows the rating and the balance for some of the major bank counterparties at the balance sheet date.

Counterparty	Ratings Agency Moody's Rating	S&P's rating	Fitch's Rating	December 2009	December 2008
CSOB	A1	-	A-	11.9	10.6
EuroHypo	A1	A-	A	1.7	
Deutsche Bank	Aa1	A+	AA-	8.9	15.1
Pekao	A2	A-	A-	6.4	
Berliner Volksbank	-	A+	-	6.1	4.9
KBC Bank	Aa3	A	A	2.8	8.3
Calyon	Aa3	AA-	AA-	1.4	1.7
DnB NOR	Aa3	A+	-	1.7	
Raiffeisen	Aa1	-	-	1.2	
St Petersburg Bank	Ba3	-	-	0.3	7.8
BGL BNP Paribas	A1	AA	AA-	0.3	0.1
in Euro million				42.7	48.5

The Group does not hold any collateral.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets, the Group is subject to a liquidity risk (see note 2.1 on going concern and note 3.3 for covenant breaches).

The liquidity risk is the risk that Orco Property Group might encounter difficulties raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close at market positions. The Orco management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties (see note 2.1.1).

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2009 to the contractual maturity date.

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

The specific time buckets presented are not mandated by the standard but are based on a choice made by management.

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At 31 December 2009	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-101,812	-24,682	-56,812	-509,696	-13,828	-706,830
Floating rate loans and bonds	-283,044	-60,308	-193,247	-454,252	-66,971	-1,057,822
Interest rate derivatives	-3,089	-6,536	-9,266	-17,774	1,153	-35,513
Forex derivatives	-1,635	-5,720	-6,285	-	-	-13,640
Embedded derivatives on bonds	-	-	-10,055	-25,025	-	-35,080
Liabilities held for sale	-43,536	-8,610	-	-	-	-52,146
Total	-433,116	-105,856	-275,665	-1,006,747	-79,647	-1,901,031
At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-146	-24,590	-5,332	-445,157	-220,104	-695,329
Floating rate loans and bonds	-69,688	-111,987	-132,214	-652,972	-229,111	-1,195,972
Interest rate derivatives	898	-4,442	-8,111	-22,630	-4,337	-38,622
Forex derivatives	-	-1,220	-55,747	-11,133	-	-68,100
Embedded derivatives on bonds	-	-	-	-35,080	-	-35,080
Total	-68,936	-142,239	-201,404	-1,166,972	-453,552	-2,033,103

(d) Cash flow interest rate risk

The Group's income and operating cash in flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from floating rate financial debts. Financial debts issued at variable rates expose the Group to cash flow interest rate risk. The Group mitigates some of its variable interest rates by entering into swap transactions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

The floating rate loans and bonds line presents the projected cash flows, including interests and the reimbursements of the principal and of the non conversion premium (when applicable), on Group's floating rate loans and bonds. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2009. Held for sale assets represent the loans in respect of Helberger, Meder, Stein, Budapest Bank, and Wasserstrasse which are classified as held for sale.

Interest rate swaps, collars and forex derivatives used by the Group are detailed in the note 19.11 Derivatives.

As at 31 December 2009, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2009 of EUR 4.9 million. Before the positive impact of derivatives, the increase of interest expenses in 2009 would amount to EUR 9.9 million.

As at 31 December 2008, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2008 of EUR 2.2 million. Before the positive impact of derivatives, the increase of interest expenses in 2008 would amount to EUR 7.5 million.

		Repricing month	Amounts
Euribor	Euribor + margin (from +1 to +4)	January 2010	238,371
		February 2010	25,022
		March 2010	498,674
Pribor	Pribor + margin (from +1.15 to 2.5)	January 2010	67,044
		February 2010	7,529
		March 2010	26,450
Libor	Libor + margin (from +0.8 to +1.2)	January 2010	18,800
		November 2010	37,100
Bubor	Bubor + margin (+ 2)	March 2010	271
Wibor	Wibor + margin (+0.8 to +4.5)	January 2010	64,631

3.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss	-	-	-	-
- Investment in Endurance Fund	-	-	10,500	10,500
- loans granted to Joint ventures and other investments	-	-	21,853	21,853
- Trading derivatives	-	2,695	-	2,695
- Trading securities	151	337	-	488
Total assets	151	3,032	32,353	35,536
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives on bonds	-	702	15,404	16,106
- Trading derivatives	-	37,563	-	37,563
Total liabilities	-	38,265	15,404	53,669
	Embedded derivatives on Bonds - non current part		Embedded derivatives on Bonds - current part	
At 31 December 2008	-8,034		-5,456	
Increase	-		-	
Losses recognised in profit or loss	-553		-1,361	
At 31 December 2009	-8,587		-6,817	
	Investment in Endurance Fund		Loan granted to joint ventures and other investments	
At 31 December 2008	30,268		38,240	
Increase	-		6,545	
Losses recognised in profit or loss	-19,768		-22,932	
At 31 December 2009	10,500		21,853	

3.3 Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The level of capital is with the objective to maintain the loan to value ratio under 50%. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may adjust dividends paid to shareholder (notably by offering the possibility to receive the dividends in shares instead of cash), issue new shares, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

As at 31 December, 2009, the loan to value ratio has reached the level of 84.3% compared to 67.5% in 2008. The strong increase is mainly due to the decrease in value of the investment properties and the increase of impairments on buildings under construction and inventories.

The following table shows the detailed calculation of the loan to value ratio. Apart from the caption Revaluation gains on projects and properties, all the lines correspond to specific items indicated on the face of the consolidated balance sheet. The Revaluation gains or losses on projects and properties represent the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties. The fair value may be lower than the book value of developments since the impairment test is performed on the basis of the expected selling once completed minus the remaining development and commercialization costs while the fair value corresponds to the sales price of the development as is at the date of valuation.

	December 2009	December 2008
Non current liabilities		
Financial debts	484,634	826,483
Current liabilities		
Financial debts	595,776	298,761
Current assets		
Current financial assets	-488	-2,190
Liabilities held for sale	51,451	
Cash and cash equivalents	-57,040	-83,799
Net debt	1,074,333	1,039,256
Investment property	1,072,304	1,211,718
Hotels and own-occupied buildings	215,393	245,273
Properties under development	-	99,673
Financial assets	32,353	70,681
Inventories	482,605	529,827
Assets held for sale	48,930	
Revaluation gains on projects and properties	-3,095	44,010
Fair value of portfolio	1,848,490	2,201,182
Loan to value before bonds	58.1%	47.2%
Bonds	468,616	440,512
Accrued interests on bonds	16,860	7,757
Loan to value	84.4%	67.6%

Most of the administrative covenants are managed by local financial managers. Reported breaches are managed at Group level. Financial covenants are directly managed at Group level. End of 2009, some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities. Most covenants relate to administrative documents to be provided (audited accounts, management reports) and financial ratios to be respected on the asset level (loan to value, loan to construction and interest coverage ratio).

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In some circumstances, when cross default covenants are included in bank loan agreements, breaches occurring at the level of subsidiaries could have the consequence that other bank loans granted to other entities of the Group become repayable on demand. Such cross defaults can occur also in the opposite way, meaning that breaches occurring at the level of the Company could have the consequence that bank loans granted to subsidiaries become repayable on demand.

The non respect of the Loan to Value (LTV) covenants may have as consequence that the lending bank requires partial repayment of the loan in order to solve the LTV covenant breach. In 2009, the Group negotiated interests margin increase instead of partial repayment of the loan.

3.4 Financial instruments by category

	Loans and Receivables	Asset at fair value through profit and loss	Total
31 December 2009			
Assets per balance sheet			
Financial assets at fair value through profit and loss	-	32,353	32,353
Derivative financial instruments and trading securities	-	3,183	3,183
Trade and other receivables	31,379	-	31,379
Cash and cash equivalent	57,040	-	57,040
Total	88,419	35,536	123,955

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
31 December 2009			
Liabilities per balance sheet			
Borrowings	-	1,600,477	1,600,477
Trading derivative	53,669	-	53,669
Trade and other payables	33,480	-	33,480
Total	87,149	1,600,477	1,687,626

	Loans and Receivables	Asset at fair value through profit and loss	Total
31 December 2008			
Assets per balance sheet			
Financial assets at fair value through profit and loss	-	70,681	70,681
Derivative financial instruments and trading securities	-	7,288	7,288
Trade and other receivables	36,962	-	36,962
Cash and cash equivalent	83,799	-	83,799
Total	120,761	77,969	198,730

	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
31 December 2008			
Liabilities per balance sheet			
Borrowings	-	1,565,756	1,565,756
Trading derivative	53,299	-	53,299
Trade and other payables	59,577	-	59,577
Total	112,876	1,565,756	1,678,632

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Assessment of the going concern (see note 2.1.1)

Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. A cash flow period of 10 years is taken into consideration and is based on an estimate of the future potential net income generated by use of the properties. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The main assumptions for discounted cash flow projections are the following:

	2009	2008
Discount rate range	7 - 11 %	6 - 10 %
Yield range	6.75 - 12 %	6.25 - 11 %
Exit cap rate	6 - 9.5 %	5 - 8.5 %

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.

Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.17, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group

structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

Determination of remaining construction costs and impairment on developments

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realizable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

For the purpose of the impairment test on developments under construction whether classified as buildings under development in property, plant and equipment or as inventories, the Group does not use the fair value but the present development value that is defined as the expected selling price (as determined by the investment properties' independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, the sales and marketing costs and all direct or indirect costs that can be associated to the specific development.

Estimate of fair value of financial instruments

Some financial instruments are recorded at fair value.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data:

for derivative instruments linked to bonds issued by the Group using a discount rate of 55.34% (37% in 2008),

by the Group's banks for the other derivatives (IRS, options and forwards).

for loans granted to Hospitality Invest joint venture, the valuations are performed internally leading to discount rates dependant on the ranking of the loan and current market or operating environment leading to discount rates of 11.3 % for the loan financing the hotel in Moscow and 22.0% for the Profit Participating Loan granted to the joint venture holding company.

The fair value of financial instruments reflects, among other things, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the income statement.

The Group investments in the Endurance sub-funds are fair valued on the basis of the net asset value as provided by the fund Manager with a liquidity discount of 20% (nil in 2008).

Impairment on own occupied and hotels

For the purpose of determining the impairment on own occupied and hotels, the Group uses the fair value as determined by the independent expert. The valuation methodology used being generally discounted cash flow valuation technique.

Impairment on goodwill

The Group is testing annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5. The recoverable amounts of cash have been determined based on the fair value of the buildings for which acquisitions have generated goodwill.

4.2 Critical judgments in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgment, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgment.

Where applicable, the land on which new properties are under development is recognized separately as an investment property. In such a case the land is fair valued through the income statement on the basis of a percentage of the value determined by the independent valuation expert for the full property under development (land and construction).

Transfer between Inventories and Investment property

If a commercial and office development becomes partially rented, as a result of tenants moving in before the contemplated sale of the asset, the project is not automatically reclassified as Investment Property. A development will be reclassified as investment property only for capital appreciation and if the nature of this building has been changed and formally approved by the Investment Committee. The renting revenue on this development project is specifically disclosed in the consolidated financial statements.

Transfer between Investment property and Inventories

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive, the building permit granted and start of construction validated. Therefore, the transfer at fair value of the Investment property to Inventories is recorded only when the building permit is granted and the start of the construction has been validated by the investment committee as it is determined as being the start of the development.

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 interests, tax, depreciation and amortisation (“adjusted EBITDA” as defined below).

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

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

Before the restructuring of the Group end of 2009, the Group was organised on a European basis into four main segments determined in accordance with the type of activity:

Development: development of projects meant to be disposed off unit by unit, the land bank and project management.

Hotels and Residences: all the MaMaison Hotels and Apartments activities with extended stay hotels and small luxury hotels. This segment also includes the Suncani Hvar activities (i.e. leisure hotels in Croatia).

Renting: leased out residences, offices or retail buildings, property management and asset management and buildings under construction that are meant to be leased.

Management services: property management, management services to the Group companies and asset management for the Endurance Real Estate Fund.

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As at 31 December 2009

	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	129,438	28,428	96,656	9,721	-12,712	251,531
Net gain or loss from fair value adjustments	-81,288	-2,614	-93,696	-	-	-177,598
Cost of goods sold	-113,538	-2,146	-43	-	-	-115,726
Amortisation, impairments and provisions	-40,709	-27,677	-20,924	-44	-	-89,354
Other operating results	-36,283	-29,295	-61,319	-8,885	12,711	-123,071
Operating result	-142,380	-33,304	-79,325	792	-1	-254,218
Net gain on fair value adjustments	81,288	2,614	93,696	-	-	177,598
Amortisation, impairments and provisions	40,709	27,677	20,924	44	-	89,354
Past valuation on goods sold	1,371	-	-	-	-	1,371
Net gain or loss on disposal of assets	873	80	911	-1,232	-	631
Net gain/(loss) on abandoned developments	11,592	-	-	-	-	11,592
Stock options and warrants	1,701	374	1,325	128	-	3,528
Adjusted EBITDA	-4,847	-2,559	37,530	-269	-1	29,855
Segment assets	812,090	210,560	950,202	-	-18,797	1,954,055
Unallocated assets						118,408
Total assets						2,072,463
Segment liabilities	546,374	13,749	858,921	-	-10,992	1,408,052
Unallocated liabilities						664,411
Total liabilities						2,072,463
Cash flow elements						
Capital expenditure	9,600	1,727	33,686	55	-	45,068

As at 31 December 2008

	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	157,073	37,685	111,379	16,234	-22,445	299,926
Net gain or loss from fair value adjustments	-123,286	-25,813	-67,852	-	-	-216,951
Cost of goods sold	-128,283	-112	593	40	-	-127,762
Amortisation, impairments and provisions	-75,494	-12,687	-100,240	-96	-	-188,517
Other operating results	-49,809	-41,145	-76,253	-8,644	22,385	-153,466.50
Operating result	-219,799	-42,072	-132,373	7,534	-60	-386,770
Net gain on fair value adjustments	123,286	25,813	67,852	-	-	216,951
Amortisation, impairments and provisions	75,494	12,687	100,240	96	-	188,517
Past valuation on goods sold	4,684	0	0	-	-	4,684
Net gain or loss on disposal of assets	-1,727	659	-42	49	-	-1,060
Adjusted EBITDA	-18,061	-2,913	35,677	7,679	-60	22,322
Segment assets	979,853	235,417	1,128,339	60,587	-128,886	2,275,309
Unallocated assets						188,801
Total assets						2,464,110
Segment liabilities	481,919	10,553	78,782	13,730	-33,278	220,988
Unallocated liabilities						2,243,122
Total liabilities						2,464,110
Cash flow elements						
Capital expenditure	79,314	19,736	183,157	-	-	282,206

Development revenues included rent revenues for EUR 6.1 million in 2009 (EUR 8.0 million in 2008) from projects partially rented out and which are still expected to be sold.

The revenues are allocated to geographical areas on the basis of the location on which the sales originated.

End of 2009, the Group structure has been fundamentally changed in order to streamline the management lines and reflect the 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 own portfolio for value appreciation. On the other hand, the Group is actively 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 analysed and this is why the presentation of the segment reporting has been adjusted by grouping the previous renting, hospitality and management services segments under the common denomination of “Commercial Investment Properties”.

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 commercial investment property line once completed.

Commercial Investment Property business line covers all real estate assets operated (as hotels and logistic parks) and rented out assets or that will be so without any major refurbishment.

This new segmentation is presented below for information purposes for 2009 as the Group is currently implementing this new reporting. For comparison, the previous reporting segmentation is disclosed for the years 2009 and 2008.

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As at 31 December 2009

	Development	Commercial Investment Properties	Intersegment activities	TOTAL
Revenue	129,438	133,835	-11,742	251,531
Net gain or loss from fair value adjustments on investment property	-81,288	-96,310	-	-177,598
Cost of goods sold	-113,538	-2,188	-	-115,726
Amortisation, impairments and provisions	-40,709	-48,645	-	-89,354
Other operating results	-36,283	-98,530	11,742	-123,071
Operating result	-142,380	-111,838	-	-254,217
Net gain on fair value adjustments	81,288	96,310	-	177,598
Amortisation, impairments and provisions	40,709	48,645	-	89,354
Past valuation on goods sold	1,371	-	-	1,371
Net gain or loss on disposal of assets	873	-242	-	631
Net gain/(loss) on abandoned developments	11,592	-	-	11,592
Stock options and warrants	1,734	1,793	-	3,527
Adjusted EBITDA	-4,813	32,875	-	29,856
Segment assets	812,090	1,160,762	-18,797	1,954,055
Investissement Properties	278,615	793,689	-	1,072,304
Property, plant and equipment	3,495	232,182	-	235,677
Inventories	457,415	25,190	-	482,605
Other segment assets	51,565	81,771	-18,797	114,539
Assets held for sale	21,000	27,930	-	48,930
Unallocated assets				118,408
Total assets				2,072,463
Segment liabilities	546,374	872,669	-10,992	1,408,052
Liabilities held for sale	22,088	-	-	51,451
Unallocated liabilities				612,960
Total liabilities				2,072,463
Cash flow elements				
Capital expenditure	9,600	35,468	-	45,068

December 2009

	Revenues	Investment Properties	Property, plant and equipment	Inventories
Czech Republic	86,359	282,166	19,777	101,402
Germany	71,950	633,257	5,159	205,941
Russia	21,925	8,000	70,435	11,108
Poland	20,119	37,405	9,343	127,495
Croatia	13,952	500	120,787	2,163
Hungary	5,160	70,525	5,528	3
Slovakia	29,381	15,860	548	24,075
Luxembourg	8,532	24,591	4,100	10,419
Intersegment activities	(5,847)			
Revenue	251,531	1,072,304	235,676	482,605

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December 2008

	Revenues	Investment Properties	Properties and Equipment	Inventories
Czech Republic	91,624	299,783	66,623	141,518
Germany	77,864	741,050	14,500	168,241
Russia	27,553	9,608	72,262	12,451
Poland	45,212	46,560	10,237	125,802
Croatia	18,272	3,246	144,874	2,385
Hungary	30,796	51,240	49,118	21,829
Slovakia	5,669	33,480	1,826	53,930
Luxembourg	15,450	26,750	4,533	3,670
Intersegment activities	(12,512)			
Revenue	299,926	1,211,717	363,973	529,826

Business combinations

No material business combination occurred in 2008 and none in 2009.

Intangible assets

The intangible assets of EUR 48.9 million (EUR 57.1 million in 2008) include mainly the GSG trademark recognized as part of the business combination accounting (EUR 7.2 million in 2008 and in 2009) and the goodwill on acquisitions (EUR 39.3 million goodwill in 2009 compared to EUR 46.7 million in 2008).

The impairment tests carried out on the goodwill led to the recognition of EUR 2.3 million of impairment in 2009 (nil in 2008). The only goodwill recognized as at 31 December 2009 is the GSG goodwill.

Finally, the goodwill recognized previously on the acquisition of 3 assets has been derecognized for EUR 4.7 million.

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Investment property

Investment property	Freehold buildings	Extended stay hotels	Land bank	Land	Buildings under finance lease	Buildings under construction	TOTAL
Balance at 31 December 2007	1,060,436	59,557	388,892	54,462	1,590	-	1,564,947
Investments/acquisitions	37,041	1,210	73,675	-	1,972	-	113,888
Partial sales	-	-7,377	-	-	-	-	-7,377
Asset sales	-113,412	-	-39,233	-	-8	-	-152,653
Revaluation through income statement	-117,603	-24,225	-74,369	-	-754	-	-216,951
Transfers	26,943	-6,880	-52,197	-56,572	-	-	-88,716
Translation differences	6,104	-	-9,644	2,110	-	-	-1,430
Balance at 31 December 2008	899,509	22,285	287,124	-	2,800	-	1,211,718
Investments/acquisitions	3,502	67	7,535	-	-	9,023	20,127
Asset sales	-60,149	-	-7,279	-	-	-	-67,428
Revaluation through income statement	-102,698	-917	-65,723	-	-1,020	-7,240	-177,598
Transfers from properties under development	50,170	-	-	-	-	41,682	91,852
Other Transfers	3,107	-5	-7,033	-	-1,500	-4,744	-10,175
Translation differences	2,263	-	156	-	-	1,389	3,808
Balance at 31 December 2009	795,704	21,430	214,780	-	280	40,110	1,072,304

Even though the Group is controlling the majority of the voting right, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

In 2009

82 investment properties (EUR 897.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 711.7 million.

Investments / Acquisitions

During the year, the Group has invested EUR 20.1 million in investment property representing mainly capitalization on buildings under construction and investments for zoning and building permits.

EUR 4.3 million for the development of the Budapest Stock Exchange, retail development in Budapest;

EUR 4.7 million on the office development of Na Porici in Prague;

EUR 3.0 million on the commercial development in Berlin (Wertheim for EUR 1.8 million, Cumberland for EUR 0.7 million, Elb Loft for EUR 0.5 million);

EUR 2.1 million on the residential development in Czech Republic (Doupovska for EUR 1.5 million, Uhranic for EUR 0.5 million, Praga for EUR 0.1 million);

EUR 1.6 million on mixed development of Bubny in Prague;

EUR 0.3 million on residential development of Ruczaj in Krakow.

Out of the EUR 20.1 million of investments, EUR 6.8 million have been financed by bank loan draw downs.

Asset sales

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During 2009, the net book value (“NBV”) of the assets sold represents EUR 67.4 million, for a total sales price of EUR 65.7 million out of which EUR 30.3 million have been used to repay the bank loan financing, with a total net loss compared to the December 2008 DTZ valuation amounting to EUR -1.7 million and composed mainly of the following disposals:

Freehold buildings:

Small buildings in Berlin have been sold (NBV of EUR 19.0 million) at the sales price of EUR 18.6 million;

Sale of Pappelallee building in Berlin (NBV of EUR 5.3 million) at the sales price of EUR 4.3 million;

Sale of Reinhardtstrasse building in Berlin (NBV of EUR 8.6 million) at the sales price of EUR 8.4 million;

Sale of Immanuelkirchstrasse 3+4 in Berlin (NBV of EUR 10.0 million) at the sales price of EUR 10.0 million;

Sales of residential in properties in Czech Republic (NBV of EUR 17.2 million) at the sales price of EUR 16.0 million.

Land bank:

Sale of Bezecka (NBV of EUR 0.7 million) at the sales price of EUR 1.6 million;

Sale of Origo in Budapest (NBV of EUR 5.1 million) at a sales price of EUR 5.3 million;

Sale of GrugaCarree (NBV of EUR 1.5 million) at a sales price of EUR 1.5 million.

Revaluation through the income statement (see note 4.1):

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

In Germany, the total decrease in fair value amounts to EUR -54.9 million (EUR -39.1 million on Freehold Buildings and EUR -15.8 million on Land Bank);

In Czech Republic, the decrease in fair value amounts to EUR -66.2 million (EUR -27.1 million on Freehold Buildings, EUR -38.1 million on Land Bank and EUR -1.0 million on Buildings under finance lease);

In Hungary, the total decrease of fair value amounts to EUR -32.0 million (EUR -24.5 million on Freehold Buildings and EUR -7.2 million on property under development and EUR -0.3 million on Extended Stay Hotels);

In Poland, the total decrease of fair value amounts to EUR -10.4 million (EUR -1.6 million on Freehold Buildings, EUR -7.9 million on Land Bank and EUR -0.9 million on Extended Stay Hotels);

In Slovakia, the total decrease of fair value amounts to EUR -8.1 million on Freehold Buildings;

In Luxembourg, the total decrease of fair value amounts to EUR -2.1 million on Freehold Buildings;

In Russia, the total decrease of fair value amounts to EUR -1.2 million on Land Bank;

In Croatia, the total decrease of fair value amounts to EUR -2.7 million on Land Bank.

Transfers

The transfers are mainly made of the following movements:

1/ Freehold buildings

Main Incoming Assets

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- Na Porici (EUR 45.4 million) and Budapest Stock Exchange (EUR 41.7 million) have been transferred from Properties under development to Investment Property as at 1st January 2009, due to the application of IAS40 Revised (see note 12).
- Hradcanska (EUR 14.8 million), Logistic Park Hlubocky (EUR 5.0 million) and Paris Department Store (EUR 21.5 million) are projects previously recognized as Inventories, which are now transferred to Investment Property (see note 14).
- Ku-Damm 103 (EUR 8.7 million) is transferred from Own Occupied Buildings to Investment Property. This asset will be rented to third parties as Orco Germany's headquarters have moved to another office in Berlin (see note 9).

Main Outgoing Assets

- Mostecka (EUR 10.8 million) and Americka 11 (EUR 2.6 million) are transferred from Investment Property to Inventories as the development of these projects has been approved by the Investment Committee.
- Main Budapest Bank (EUR 12.8 million), Stein in Bratislava (EUR 10.0 million), Wasserstrasse in Düsseldorf (EUR 8.4 million), Small Budapest Bank (EUR 0.6 million) are transferred to Assets held for sale (see note 10).

Other movement

- Elb Loft (EUR 1.8 million) is transferred from Freeholdbuildings to Landbank.

2/ Land bank

Helbeger (EUR 11 million) is transferred to Assets held for sale (see note 10).

In 2008

Investments / Acquisitions

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

Freehold buildings (EUR 37.0 million):

New acquisitions (EUR 12.7 million):

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

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

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

Land bank (EUR 73.7 million):

New acquisitions (EUR 38.7 million):

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

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

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

Partial Sale

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

Asset sale

During the period, the net book value ("NBV") of the assets sold represents EUR 152.7 million, with a total net loss compared to the December 2007 DTZ valuation amounting to EUR 0.5 million and composed mainly of the following disposals:

The Luxembourg Plaza office building has been sold to the Endurance Real Estate Fund for a sales price equivalent to the net book value amounting to EUR 31.6 million;

The former Luxembourg Head Office building (NBV of EUR 2.3 million) has been sold at the price of EUR 2.3 million;

Sales of apartments from the Vinohrady portfolio (NBV of EUR 45.1 million) at the sales price of EUR 46.6 million;

The building Londynska 26 (NBV of EUR 2.6 million), at the sales price of EUR 1.9 million;

Small Buildings in Berlin have been sold (NBV of EUR 12.3 million) at the sales price of EUR 12.6 million;

Sales of apartments from the Americka residential buildings for a NBV of EUR 2.4 million at the sales price of 3.9 million;

Sales of a part of the project Gethsemannstrasse (NBV of EUR 3.0 million) at the sales price of EUR 3.1 million;

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The project in Slovakia Kohal Kosice (NBV of EUR 5.8 million) has been sold at the sales price of EUR 3.9 million;

The Revay Utca 10 project (NBV of EUR 4.2 million) in Budapest has been sold for at the sales price of EUR 3.4 million;

The CIB Bank in Budapest (NBV of EUR 7.6 million) has been sold at the sales price of EUR 7.1 million;

The Otrada project in Russia (NBV of EUR 35.8 million) has been sold at the sales price of EUR 35.8 million.

Revaluation through income statement (see details below) (see Note 4.1):

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

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

In the Czech Republic, the total amount of decrease of fair value reaches EUR -78.1 million (EUR -38.5 million on Freehold Building and EUR -39.6 million on Land Bank);

The decrease in fair value registered on the period, on the other countries amount to EUR -63.2 million considering the Freehold Buildings (EUR -42.4 million) and the land bank (EUR -20.8 million);

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

Transfers

Transfers represent 3 types of reclassifications:

The first category relates to the reclassification of the lands or buildings, that were previously recognized as investment properties, and have been transferred as inventories in order to be sold, with or without the building permit (EUR -115.4 million).

- From the land category, the main project transferred is the Paris Department store (EUR 7.3 million) in Budapest, which is planned to be sold;

- In the buildings category, Pivovar Vrchlabi (former brewery with 20 000 sqm of residential and commercial units), the Hradcanska project (retail and office), the Danziger Strasse project (commercial and office), the H2 Office project (office) and the City Gate project have been transferred to inventories for development after obtaining the building construction permit for a total amount of EUR 62.4 million;

- Some projects have also been transferred from the land bank category to inventories after obtaining the building permit: Benice (EUR 30.8 million), Slunecny Vrsek (EUR 4.1 million), Vavrenova (EUR 3.6 million), Nové Dvory (EUR 2.9 million), Rudna (EUR 2.7 million) and the Drawaska project in Warsaw (EUR 1.6 million).

The second category of reclassification relates to the projects, which are transferred from investment properties to construction in progress, after obtaining the building permit (EUR -37.9 million).

- Na Porici (EUR 17.5 million) in the Czech Republic, and the Budapest Stock Exchange (EUR 18.1 million) in Hungary, have been transferred to properties under development;

- the Molcolm free plot of land (EUR 2.3 million) has been transferred to properties under development for the construction of a new class A warehouse.

The third category of transfer relates to the projects previously recognized as construction in progress, which have been completed during the period and transferred into investment properties. It concerned mainly the Radio Free Europe Building transferred in Building (EUR 65.3 million).

All investment properties financed by banks are pledged.

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List of major investment properties:

Freehold Buildings	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 31.12.09
Germany				
GSG	27,895	468,090	-26,658	441,832
Franklinstraße 15	-7,370	40,350	-3,128	37,250
Cumberland Haus	-37,028	30,280	-2,959	28,000
Brunnenstraße 156 & Invalidenstraße 112	-2,035	7,070	1,210	8,280
Ku damm 103			-518	8,170
Kurfürstendamm 102	-2,067	7,770	-1,580	6,190
Max Planck Strasse	-5,350	6,620	-790	5,830
Hüttendorf	-546	7,347	-2,259	5,100
Hakeburg	-1,275	2,436	159	2,375
Brunnenstr. 27 - OG	-450	1,370	70	1,440
Lutticher Str. 49	-567	1,210	-240	970
Hochwald	-469	927	-52	910
Wasserstrasse	-1,061	9,520	-1,160	-
Wilhelm - Kuhr - Str. 86	-644	1,110	-	-
Immanuelkirchstrasse 3-4	-1,775	10,720	-730	-
Reinhardtstrasse 18	-643	8,570	-	-
Pappelallee 3-4	-456	5,290	-	-
Kollwitzstrasse 71	386	3,060	-	-
Zionkirchstrasse 7	48	2,360	-	-
Boxhagener Str 106	-280	2,130	-	-
Breite Str 15	-432	2,080	-	-
John Schehr Str 64	-332	1,980	-	-
Oroo Elb Loft	-538	1,770	-	-
Prenzlauer Allee 195	-463	1,680	-180	-
Brunnenstrasse 25	-571	1,600	-	-
Berlin Gorschr. 18	-230	1,480	-280	-
Hosemannstrasse 6-7, Berlin	-430	1,350	-50	-
Total Freehold Buildings Germany :	-36,683	628,170	-39,145	546,347

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Freehold Buildings	2008	Fair Value	2009	Fair Value
	Revaluation	31.12.08	Revaluation	31.12.09
Czech Republic	-38,510	151,870	-27,325	166,880
Radio Free Europe	-18,832	55,700	-6,831	50,000
Na Porici	-	-	-2,632	47,600
Matvská	-819	34,250	-7,457	26,800
Hlubocký	-985	15,150	-2,048	18,500
Hradčanská	-	-	-2,380	12,450
Stribro	-1,310	7,890	-3,582	4,410
Jeremiasova	-	3,050	-460	2,590
Amerika Park Residential	-2,414	9,890	-3,336	2,380
Belgická 36 - Na Kozácoce	49	5,010	-118	950
Americká 3	463	-	1,679	760
Nad Petruskou 8	-536	2,650	-160	440
Amerika 11	244	2,600	-	-
Mostecká	-12,541	10,580	-	-
Brno Shopping Centre	-1,831	5,100	-	-
Slovakia	-12,754	33,480	-8,082	15,860
Dunaj	-3,286	18,480	-2,805	15,860
Pivovar Stein	-9,468	15,000	-5,277	-
Hungary	-25,259	43,715	-24,511	28,395
Szervita Square	-6,148	13,700	-4,248	10,060
Paris Department Store			-6,972	15,000
Starlight Suite Hotel	-288	4,365	-1,030	3,335
Small Budapest Bank	-4,100	2,320	-1,693	-
Headquarters of Budapest Bank	-14,723	23,330	-10,568	-
Poland	-3,989	12,950	-1,618	12,170
Marki	-2,689	7,360	-951	6,670
Diana Office	-1,300	5,590	-667	5,500
Luxembourg	460	26,750	-2,122	24,591
Oroo House	460	26,750	-2,122	24,591
Other	-866	2,574	105	1,461
Total Freehold Buildings :	-117,603	899,509	-102,698	795,704

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Land bank	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 31.12.09
Czech Republic	-39,599	128,260	-38,273	97,080
Bubny	-25,706	88,000	-14,871	75,000
Praga	-1,289	15,730	-12,483	3,640
Nupaky 1	-1,003	5,000	-497	4,590
Doupovska	-702	4,000	-3,854	3,340
Mezihoří	-1,423	3,010	-751	2,550
Bellvue Grand	-1,519	2,650	-816	2,200
U Hranic Prague 10, CZ	-560	2,550	-1,627	1,460
Hradec Kralové Plachta Jih	-3,282	1,870	-1,529	820
OBI Decin	-474	1,700	-372	1,450
Rubeska	18	1,470	-1,188	360
Ostrava - Na Frantisku	-1,399	1,350	-224	1,460
Bezecka	-1,447	670	-	-
Kolin, CZ	-813	260	-61	210
Germany	-14,009	110,970	-15,762	86,910
Leipziger Platz	-5,950	95,320	-12,833	84,300
Orco Elb Loft	-	-	-542	1,750
GSG	-	910	-50	860
Helberger	-7,841	12,300	-1,362	-
Essen Gruga Carree	-218	2,440	-975	-
Russia	-6,192	9,600	-1,145	8,000
Kaluga 145 Ha	-6,192	9,600	-1,145	8,000
Poland	-6,293	29,790	-7,929	22,290
Jozefoslaw	-4,701	8,450	-1,913	6,660
Szosa Polska	120	8,000	-2,059	5,950
Kraków Ruczaj	-1,241	6,000	-2,067	4,220
Przy Parku	-1,272	4,550	-1,111	3,450
Białystok	801	2,790	-779	2,010
Hungary	-8,335	5,250	-	-
Origo Film Studios	-8,335	5,250	-	-
Croatia	98	3,246	-2,745	500
Obonjan Rivijera	69	2,286	-2,283	-
Istria plot (595 k.o. Pican)	29	960	-462	500
Other	-39	8	131	-
Total Land and Land bank:	-74,369	287,124	-65,723	214,780
Buildings under finance lease	-754	2,800	-1,020	280
Extended stay hotels	-24,225	22,285	-917	21,430
Budapest Stock Exchange			-7,240	40,110
Building under construction			-7,240	40,110
TOTAL :	-216,951	1,211,718	-177,598	1,072,304

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Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance as at 31 December 2007	112,430	1,955	185,226	299,611
Investments / acquisitions	2,174	-	6,194	8,368
Disposal	-5,897	-	-	-5,897
Transfer and other movements	1,956	-	3,687	5,643
Translation differences	-8,004	209	-3,237	-11,032
Balance as at 31 December 2008	102,659	2,164	191,870	296,693
Investments / acquisitions	1,571	-	80	1,651
Disposal	-227	-	-	-227
Transfer	10,510	-	-11,335	-825
Translation differences	-1,314	-	525	-789
Balance as at 31 December 2009	113,199	2,164	181,140	296,503
AMORTISATION AND IMPAIRMENT				
Balance as at 31 December 2007	951	107	4,383	5,441
Allowance	1,090	17	947	2,054
Disposal	-582	-	-	-582
Impairments	37,873	-	6,877	44,750
Transfer and other movements	65	-	-88	-23
Translation differences	-121	13	-112	-220
Balance as at 31 December 2008	39,276	137	12,007	51,420
Allowance	146	-	938	1,084
Impairments	10,727	1,030	19,013	30,770
Transfer	-119	-	-2,546	-2,665
Translation differences	795	-	-294	501
Balance as at 31 December 2009	50,825	1,167	29,118	81,110
NET AMOUNT as at 31 December 2009	62,374	997	152,022	215,393
Net amount as at 31 December 2008	63,383	2,027	179,863	245,273

Even though the Group is controlling the majority of the voting right, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

In 2009

23 projects (EUR 195.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 99.3 million.

A new warehouse completed in Russia at the end of 2009 has been transferred from Properties under development to Own-occupied buildings (EUR 19.3 million) (see note 12).

The building located in Ku-Damm 103 has been transferred from own-occupied buildings to Investment Property (EUR 8.7 million) as the Orco Germany headquarters moved to an other building in Berlin (see note 8).

The Sirena Hotel (EUR 5.7 million) has been transferred to Assets held for sale (see note 10).

The impairment tests based on the DTZ valuation at end of 2009 led to the recognition of the following impairments:

- Own-occupied: Molcom Logistics (EUR 10.5 million) and Orco Luxembourg in Capellen (EUR 0.2 million).

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- Hotels: Andrassy Hotel in Budapest (EUR 1.3 million), and on the Hvar Island: Amfora (EUR 6.8 million), Pharos Hotel (EUR 4 million), Sirena Hotel (EUR 1.9 million), Bodul Hotel (EUR 1.8 million), Adriana (EUR 1.6 million), Camping Vira (EUR 0.7 million) and Riva Hotel (EUR 0.4 million).

- Prepaid operating leases: Sulekova Hotel in Slovakia (EUR 1.0 million).

In 2008

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

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

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

Since the NBV of some buildings exceeds the DTZ valuation, impairments have been recognized for the amount exceeding the DTZ value, as follows (see note 4.1):

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

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

25 projects (EUR 211.1 million) financed by bank loans in local special purpose entities are fully pledged for EUR 104.9 million.

Assets and liabilities held for sale

As at December 31, 2009, the Group decided to sell 5 assets from its investment property portfolio (nil in 2008), as the due date of the financing of these non strategic assets is in short term.

These assets have been transferred in assets held for sale.

Two of them are in Germany: Helberger in Frankfurt (EUR 11.0 million, Development segment) and Wasserstr. in Duesseldorf (EUR 8.4 million, Renting segment).

Two projects are located in Hungary, Small Budapest Bank (EUR 0.7 million, Renting Segment) and Main Budapest Bank (EUR 13.2 million, Renting segment).

The last project is located in Slovakia: Stein (EUR 10.0 million, Development segment). The bank debt on these assets amounts to EUR 51.5 million.

Finally, the hotel Sirena on the Hvar Island, previously classified as hotel is planned to be sold and has been recognized as asset held for sale (EUR 5.7 million, Hospitality segment).

Fixtures and fittings

	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2007	30,680	-9,644	21,036
Increase	4,987	-4,515	472
Assets sales	-4,235	1,825	-2,410
Change to proportional consolidation	-766	642	-124
Transfer	342	568	910
Translation difference	-1,628	771	-857
Balance at 31 December 2008	29,380	-10,353	19,027
Increase	2,165	-4,583	-2,418
Assets sales	-1,019	662	-357
Transfer	9,445	-5,466	3,979
Translation difference	-91	144	53
Balance at 31 December 2009	39,880	-19,596	20,284

In 2009

Main increases are due to the development of the project Vysocany Gate in Czech Republic (EUR 1.4 million) and to the new Warehouse of Molcom in Russia (EUR 0.5 million).

The main transfer relates to the reallocation of the fixtures and fittings previously recognized in properties under development on project Paris Department Store in Budapest (EUR 2.2 million) and on projects located on Hvar island (EUR 1.7 million).

Impairments have been recognized during the year amounting to EUR 0.3 million.

In 2008

Main increases are due to the acquisition of Blue Yachts, d.o.o. in Croatia (EUR 1.6 million) and investments done by Suncani Hvar in Croatia (EUR 0.8 million), the Riverside Hotel in the Czech Republic (EUR 0.4 million), the Pokrovka Hotel and Molcom in Russia (respectively EUR 0.4 million and EUR 0.2 million).

Asset sales mainly represent sales of fixtures made by the Group's mother company, Orco Property Group S.A. (net sale of EUR -1.0 million) and Orco Prague, a.s. in the Czech Republic (net sale of EUR -0.4 million).

Change to proportional consolidation (EUR -0.1 million) represents the sale of Residence Belgicka in the Czech Republic and Residence Diana in Poland to Hospitality Invest S.à r.l.

Properties under development

Properties under development	31 December 2009	31 December 2008
Opening Balance	99,673	104,369
Work in progress	12,316	84,213
Impairments	-	-27,367
Transfers and other movements	-108,827	-56,302
Translation differences	-2,194	-2,640
Movements in advance payments for work in progress	-998	-2,600
Closing Balance	-	99,673

As at 31 December 2009, the advance payments of EUR 1.5 million, compared to EUR 2.5 million as at 31 December 2008 have been transferred to other current assets. These advance payments essentially relate to the development of various projects in the Czech Republic.

In 2009

During the year, the Group invested EUR 12.2 million in the new warehouse of Molcom in Russia.

The transfers relate mainly to three reclassifications:

Na Porici, which has been completed (EUR -45.4 million) is reclassified in Investment Properties (see note 8);

Budapest Stock exchange (EUR -41.7 million) is reclassified in Investment Properties (see note 8).

Molcom Warehouse, which has been completed (EUR -19.3 million) and reclassified in Own Occupied Buildings (see note 9).

In 2008

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

Radio Free Europe (EUR 45.1 million), office development in Prague;

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

Additional impairments have been recognized on the basis of the value established by DTZ on the following properties (see note 4.1):

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

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

The first category relates to the reclassification of the lands and land bank, that were previously recognized as investment properties, and have been transferred to Properties under development. The main transfers are:

Budapest Stock Exchange: EUR 18.1 million;
Molcom: EUR 2.3 million;
Na Porici: EUR 17.5 million.

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

The Paris Department Store: EUR -18.2 million;
The Peugeot Showroom project in Warsaw: EUR -3.3 million.

Finally, 2 projects have been completed during the third and fourth quarter:

The project Radio Free Europe is recognized as Investment Property (EUR -65.3 million);
The project of the hotel Riverside II is recognized in the Hotels category (EUR -5.1 million);

2 projects (EUR 88.9 million) (Vaci 1 in Hungary and Na Porici in the Czech Republic) are pledged for a total amount of EUR 52.2 million (nil in 2007).

Financial assets at fair value through Profit or Loss

This line includes mainly 2 financial assets:

the fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 10.5 million (EUR 29.4 million in 2008). The Endurance Fund managed by the Group (see note 30) is divided in three specialized sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 2009, based on the net asset value as provided by the fund Manager with a liquidity discount of 20% (nil in 2008), amounts to a loss of EUR 19.8 million (EUR 6.2 million loss in 2008). The fair value of this financial asset has been determined according to the Endurance Fund consolidated financial statements as at 30 September 2009. An additional change in fair value of EUR 2.5 million has been recognized between 30 September and 31 December 2009.

the non eliminated portions of the equity loans granted to joint-ventures for EUR 44.4 million (EUR 38.8 million in 2008) out of which EUR 43.9 million (EUR 38.2 million in 2008) million correspond to 50% of the loan granted to the hospitality joint-venture with AIG (including the accrued interests). The non eliminated part of two loans granted to the hospitality joint venture (on profit participating loan to the joint venture holding company and one loan granted directly to a hotel company) have 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

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from the loan. The decrease in fair value of these two assets has been recognized through profit or loss for a total amount of EUR 22.9 million.

Inventories

Inventories	31 December 2009	31 December 2008
Opening Balance	529,827	323,699
Abandoned development projects	-39,956	-
Net impairments	-39,659	-82,773
Transfers	-29,626	137,435
Translation differences	2,582	-26,209
Development costs	135,207	305,437
Cost of goods sold	-75,770	-127,762
Closing Balance	482,605	529,827

Inventories properties are developed with the intention to resell.

In 2009

The Group decided to not finalize and to sell two projects:

the City Gate project in Bratislava was sold for a net result of EUR -5.9 million (NBV of EUR 29.4 million).

the Fehrbelliner Hofe project in Berlin was sold for a net result of EUR - 5.6 million (NBV of EUR 10.6 million).

Development costs amounting to EUR 135.2 million, out of which EUR 87.5 million have been financed by bank loan draw downs, have been capitalized on the following projects: Sky Office (EUR 47.4 million), H2 Office (EUR 21.0 million), Vysocany gate (EUR 6.8 million), Bernauer Straße (EUR 5.9 million), Złota 44 (5.7 million), Neuenkirchener Straße (EUR 5.7 million), Targowek / Malborska (EUR 4.6 million), Tschaikowskistraße 33 (EUR 4.2 million), Paris Department store (EUR 2.9 million), Warsaw – Drawska (EUR 4.0 million) and Danzigerstrasse (EUR 2.1 million).

The transfers arise from the following properties: Hradanska (EUR -14.8 million), Paris Department Store (EUR -21.5 million in Investment Property and EUR 2.2 million in fixtures and fittings) -which are now rented and are reclassified as Investment Property. The project Mostecka in Czech Republic (EUR +10.8 million) was transferred from Investment Property to Inventories, as it is intended to be developed and sold.

Impairments have been recognized mainly on the following properties:

Sky Office: EUR -15.0 million

Benice: EUR -4.8 million

Duisburg (H2 Office): EUR -3.8 million

Vavrenova: EUR -2.9 million

Sczeczcin/Szoza Polska: EUR -2.3 million

Pivovar Vrchlabi: EUR -3.8 million

Vysocany Gate: EUR -2.8 million

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12 projects in development (EUR 238.5 million) are pledged for a total amount of EUR 147.5 million.

In 2008

Inventories properties are developed with the intention to resell.

Following the change in the intended use of various properties the following transfers have occurred: EUR 62.4 million from Freehold buildings, EUR 45.7 million from Land bank, EUR 22.1 million from Construction in progress, EUR 7.3 million from Land.

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

Additional impairments have been recognized as described in note 4.1.d mainly on the following properties:

Fehrbelliner Hofe: EUR -16.5 million;

Benice: EUR -17.2 million;

Hradcanska: EUR -13.0 million;

City Gate: EUR -7.5 million;

Duesseldorf Sky Office: EUR -6.2 million;

Danziger Strasse: EUR -5.3 million.

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

16 projects (EUR 399.6 million) in development are pledged for a total amount of EUR 214.0 million (8 projects for EUR 63.7 million in 2007).

Loss on disposal of assets

During 2009, in the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 93.9 million generating a consolidated net loss of EUR 13.5 million and a net cash inflow after financial debt repayment amounting to EUR 30.3 million.

The loss mainly comes from the sale of two projects that have been abandoned and sold: Fehrbelliner Hofe in Berlin (EUR -5.7 million) and City Gate in Bratislava (EUR -5.9 million).

The entity Orco property management services a.s. has been sold and its services externalized for a total consideration of EUR 1.3 million.

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Other current assets

	Balance at 31 December 2008	Variation	Impairments	Transfer	Translation differences	Balance at 31 December 2009
Prepayment tax receivables	28,475	-22,056	-	-	-611	5,808
Prepayment of Income tax	3,154	-2,570	-	-	22	606
Prepayment social securities	17	-17	-	-	-	-
Operating loans	11,932	2,519	-	-415	-267	13,769
Accrued assets	41,097	-20,335	-	-	129	20,891
Other current assets	2,907	1,330	-862	14	79	3,468
Dividends receivable	637	-623	-	-	-	14
Accrued interests	3,501	4,412	-	-3,693	25	4,245
Other assets	3,716	6,869	-6,026	1,365	71	5,995
Advance payment for work in progress	-	3,315	-	-1,818	54	1,551
Total other current assets	95,436	-27,156	-6,888	-4,547	-498	56,347

	Balance at 31 December 2007	Variation	Impairments	Transfer	Translation differences	Balance at 31 December 2008
Prepayment tax receivables	23,645	6,077	-	3	-1,250	28,475
Prepayment of Income tax	2,263	1,051	-	-	-160	3,154
Prepayment social securities	58	-41	-	-	-	17
Operating loans	22,385	-18,983	-	9,470	-941	11,931
Accrued assets	34,859	6,314	-	-	-76	41,097
Other current assets	20,442	-17,483	-	-50	-3	2,906
Dividends receivable	6	631	-	-	-	637
Accrued interests	2,553	972	-	66	-90	3,501
Other assets	7,587	7,188	857	-11,906	-8	3,718
Total other current assets	113,798	-14,274	857	-2,417	-2,528	95,436

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Cash and cash equivalents

As at 31 December 2009, the cash and cash equivalents consist of short term deposits for EUR 2.2 million (EUR 17.1 million in 2008), cash in bank for EUR 54.6 million (EUR 66.5 million in 2008) and cash in hand for EUR 0.2 million (EUR 0.2 million in 2008).

Cash in bank include restricted cash (EUR 35.2 million – EUR 55.0 million in 2008) representing:
cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal (EUR 6.5 million – EUR 7.9 million in 2008);
cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units (EUR 10.0 million – EUR 15.4 million in 2008);
cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property (EUR 18.7 million – EUR 31.7 million in 2008).

Non controlling interests' transactions

2009

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In March 2009, the company NWDC in Czech Republic (shareholding of the Group of 51% as at 31 December 2008) was sold. This transaction resulted in decrease in non controlling interests of EUR - 0.5 million.

The Group increased its participation of 1.31% in Orco Germany by integration of some Orco Germany shares previously disclosed as current financial assets. This operation led to an impact on the non controlling interests of EUR -1.8 million.

2008

In January 2008, Suncani Hvar dd proceeded to a capital increase that has been subscribed by the Group. As a result the minority interests in absolute terms decreased by EUR 8.6 million and the shareholding of the Group in Suncani Hvar dd has slightly gone up from 47.6% to 55.6%.

In June 2008, the Group sold 1% of Orco Molcom BV (shareholding of the Group of 69% as at December 2008). It results to a decrease of the equity attributable to owners of the company of EUR 1.1 million.

The sale to the residential Endurance sub-fund of 25% in one residential development in Czech Republic (Benice) resulted in a decrease of the equity attributable to owners of the company amounting to 3.3 million.

Borrowings, financial debts, bonds and derivatives

At 31 December 2009, the movements in non-current bonds and loans are the following:

Non-current bonds

Non-current bonds	Convertible bonds	Exchangeable bonds	Bonds with repayable subscription warrants	TOTAL
Balance at 31 December 2007	129,762	20,628	270,216	472,812
Interest accumulated during the year	13,599	156	13,736	27,812
Repayment of bonds	-	-	-	-38,742
Translation differences	-	-	-	-2,710
Transfer to short term	-	-	-	-11,075
Own bonds	-8,317	-1,389	-8,954	-18,660
Balance at 31 December 2008	135,044	19,395	274,998	429,437
Interest accumulated during the year	14,131	124	13,974	28,229
Transfer to short term	-	-	-47,921	-47,921
Own bonds	1,200	-1,548	-	-348
Balance at 31 December 2009	150,375	17,971	241,051	409,397

No new bonds have been issued in 2009.

The transfer of bonds to short term (EUR -47.9 million) relates to the OBSAR 1 bond which is due for redemption in November 2010.

In 2009 Orco Property Group sold 76,279 convertibles bonds on the open market for a total consideration of EUR 1.2 million.

Based on requests for early redemption received from individual holders of the Czech bond (the "Bond CZK") that was issued in February 2006, the Group reimbursed 110 bonds (out of 140 outstanding) in 2008 amounting to CZK 1,100,000,000 (EUR 40.8 million). During the year 2009,

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bondholders requested the reimbursement of 27 bonds CZK, out of the 30 bonds still outstanding, for a value of CZK 200,000,000 (EUR 7.7 million). The Bond CZK is classified in short term for CZK 300,000,000 (EUR -11.3 million) as its repayment can be requested on demand due to a breach of loan covenant (the CZK bonds were downgraded by Moody's in 2008).

See note 4.2 for covenants, defaults and cross defaults.

Non-current financial debts

Non-current financial debts	Bank loans	Other non-current borrowings	Finance lease liabilities	TOTAL
Balance at 31 December 2007	806,738	23,855	1,131	831,724
Issue of new loans and drawdowns	278,622	10,182	315	289,119
Repayments of loans	-105,779	-9,084	-27	-114,890
Transfers	-164,121	7,386	-278	-157,013
Translation differences	-22,042	-400	-15	-22,457
Balance at 31 December 2008	793,418	31,939	1,126	826,483
Issue of new loans and drawdowns	41,912	1,456	20	43,388
Amortized cost review	-	-17,972	-	-17,972
Repayments of loans	-44,803	-378	-44	-45,225
Transfers	-317,480	-1,095	-	-318,575
Translation differences	-3,645	160	20	-3,465
Balance at 31 December 2009	469,402	14,110	1,122	484,634

2009

Issue of new bank loans and drawdowns (EUR 41.9 million) are mainly related to the following projects:

- further drawdowns for the construction of Oranienburg senior residence in Germany (EUR 7.0 million);
- further drawdowns for Na Porici (EUR 6.9 million);
- drawdowns for Healthcare projects (EUR 13.7 million);
- drawdowns for Kotic (EUR 4.4 million);
- refinancing for the Paris department store (EUR 2.8 million) and Budapest Stock Exchange (EUR 2.0 million) in Hungary;
- refinancing for Diana development (EUR 2.5 million) in Poland and Belgicka residence (EUR 1.2 million) in Czech Republic;
- various other small projects (EUR 1.4 million).

Repayments of bank loans (EUR -44.8 million) are mainly related to the following operations:

- Asset sales in Germany: Immanuelkirchstrasse (EUR -7.2 million), Reinhardtstrasse (EUR -6.8 million), Prenzlauer (EUR -1.4 million), Kollwitzstrasse (EUR -1.4 million), Wilhelm Kuhr Str. (EUR -1.3 million), Görschstrasse (EUR -1.3 million), John Schehr Str. (EUR -1.4 million), Brunnenstrasse (EUR -1.5 million) and Pappelallee (EUR -2.6 million).
- Sale of Nove Dvory (EUR -5.1 million), Brno Shopping (EUR -2.6 million) in the Czech Republic.

Transfers of bank loans (EUR -317.5 million) are mainly due:

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- to the reclassification of the bank loans, that will fall due within twelve months of year end, of Sky Office in Dusseldorf (EUR -65.2 million); of Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); of Paris Department store (EUR -16.5 million) in Hungary; and of Targowek/Malborska (EUR -15.8 million) and Viterra (EUR -2.7 million) in Poland.

- to new breaches on financial covenants for the bank loans financing the following projects: Suncani Hvar (EUR -41.1 million) in Croatia; Zlota (EUR -40.7 million), Marki (EUR -3.7 million), and Przy Parku (EUR -3.6 million) in Poland; Franklinstrasse (EUR -29.4 million) in Germany; Main Budapest Bank (EUR -19.6 million), and Budapest Stock Exchange (EUR -24.2 million) in Hungary. These loans would be repayable on demand if they are declared in default by the bank hence the non-current part has been reclassified as current.

As at 31 December 2009, the total carrying value of loans in breach due to financial covenants amounts to EUR 364.7 million. As at 30 March 2010, none of the loans with breach of covenants as at 31 December 2009 have been restructured. The objective of the management is to restructure and renegotiate these loans in priority to comply as soon as possible with the bank loan covenants.

Other non-current loans are mainly equity loans from joint ventures and loans from partner companies. The new loans (EUR 1.5 million) mainly relate to MS Invest and Hospitality (EUR +0.7 million and EUR +1.0 million respectively). The transfers relate mainly to a reclassification of advance payments (EUR -0.7 million) in Gebauer Hofe.

As a result of the amortized cost review, the net present value of the profit participating loan granted to the Hospitality joint venture by the partners has been decreased by an amount of EUR 18.0 million.

2008

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

- further drawdowns for the construction of the Sky Office tower in Germany (EUR 46.8 million);
- refinancing of Radio Free Europe and Na Porici projects in the Czech Republic (respectively EUR 41.3 million and EUR 9.9 million);
- refinancing of Hospitality projects (EUR 34.3 million);
- refinancing of Vaci 1 (Budapest Stock Exchange) in Hungary (EUR 23.6 million);
- financing of acquisition of land plots Malborska and Przy Parku in Poland (respectively EUR 18.4 million and EUR 4.4 million);
- refinancing of Zlota Tower in Poland (EUR 24.9 million).

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

- sale of the Luxembourg Plaza building (EUR -26.0 million);
- early repayments of Hospitality loans as the result of their refinancing (EUR -16.9 million);
- sale of Avenue Gardens in Hungary (EUR -11.7 million);
- repayments of loans linked to the sale of Vinhorady building portfolio (Anglicka 26, Belgicka 40, Londynska 41 and Manesova 28) for a total amount of EUR -9.9 million;
- repayment of one of the loan financing Mostecka project in the Czech Republic for EUR -6.8 million;
- repayment of some Suncani Hvar loans (EUR -3.9 million).

Transfers of bank loans (EUR -164.1 million) are due:

- to the reclassification of the bank loans related to the following projects:
Wertheim and Wasserstraße in Germany for respectively EUR -65.6 million and EUR -7.0 million;
Bubny in the Czech Republic for EUR -27.9 million;

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City Gate and Dunaj in Slovakia for respectively EUR -16.7 million and EUR -12.7 million; Szervita in Hungary for EUR -10.3 million.

Most of these projects will have to be refinanced within 12 months.

- to breaches on financial covenants for the bank loans financing the following projects: Reinhardtstraße (EUR -6.8 million), Brunnenstraße 156 and Invalidenstraße 112 (together EUR -6.7 million), Danzigerstraße 73-77 (EUR -5.5 million), Prenzlauer Allee (EUR -1.4 million), Jeremiasova (EUR -2.2 million), Wilhelm-Kuhr-Straße and Görschstraße 18 (EUR -1.3 million both). As the repayment for these loans can be requested at first demand, the non-current part is reclassified as current. Most of the breaches were related to the Loan to Value ratio (except for the Danziger Strasse loan). In the context of the restructuring program, the Group sold 3 out of the 8 assets in breach during the first semester 2009.

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

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

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

Borrowings maturity

The following tables describe the maturity of the Group's borrowings. In 2009 the non-current bonds and financial debts amount to EUR 0.9 billion (in 2008 EUR 1.3 billion).

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At 31 December 2009	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current						
Bonds		-	-	258,720	150,677	409,397
Convertible bonds	19.7	-	-	150,375	-	150,375
Exchangeable bonds	19.5	-	-	17,971	-	17,971
Fixed rate bonds	19.9 - 10	-	-	90,374	150,677	241,051
Financial debts		-	18,492	392,094	74,048	484,634
Bank loans		-	18,492	392,094	58,816	469,402
Fixed rate		-	2,599	17,932	9,768	30,299
Floating rate		-	15,893	374,162	49,048	439,103
Other non-current borrowings		-	-	-	14,110	14,110
Finance lease liabilities		-	-	-	1,122	1,122
Total		-	18,492	650,814	224,725	894,031
Current						
Bonds		59,219	-	-	-	59,219
Floating rate bonds	19.8	11,298	-	-	-	11,298
Fixed rate bonds	19.6	47,921	-	-	-	47,921
Financial debts		595,776	-	-	-	595,776
Bank loans		593,475	-	-	-	593,475
Bank loans fixed rate		99,798	-	-	-	99,798
Bank loans floating rate		493,677	-	-	-	493,677
Other borrowings		2,301	-	-	-	2,301
Liabilities held for sale		51,451	-	-	-	51,451
Bank loans floating rate		51,451	-	-	-	51,451
Total		706,446	-	-	-	706,446
TOTAL		706,446	18,492	650,814	224,725	1,600,477

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At 31 December 2008	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current						
Bonds		-	45,488	241,232	142,717	429,437
Convertible bonds	19.7	-	-	135,044	-	135,044
Exchangeable bonds	19.5	-	-	19,395	-	19,395
Fixed rate bonds	19.9 -10	-	45,488	86,793	142,717	274,998
Financial debts		-	175,918	408,443	242,122	826,483
Bank loans		-	175,918	406,533	210,967	793,418
Fixed rate		-	10,073	23,969	19,887	53,929
Floating rate		-	165,845	382,564	191,080	739,489
Other non-current borrowings		-	-	1,910	30,029	31,939
Finance lease liabilities		-	-	-	1,126	1,126
Total		-	221,406	649,675	384,839	1,255,920
Current						
Bonds		11,075	-	-	-	11,075
Floating rate bonds	19.8	11,075	-	-	-	11,075
Bonds		-	-	-	-	-
Financial debts		298,761	-	-	-	298,761
Bank loans		293,162	-	-	-	293,162
Bank loans fixed rate		13,658	-	-	-	13,658
Bank loans floating rate		279,504	-	-	-	279,504
Other borrowings		5,599	-	-	-	5,599
Total		309,836	-	-	-	309,836
TOTAL		309,836	221,406	649,675	384,839	1,565,756

The increase in current floating rate bank loans is mainly due to the transfer of breached loans in respect of Suncani Hvar, Franklinkstrasse, and main Budapest Bank for respectively EUR 41.1 million, EUR 29.4 million and EUR 19.6 million. In addition there was a transfer of Sky Office (EUR -65.2 million), Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); and Vittera (-2.7 million) loans which are due in 2010.

The fixed rate bond in current liabilities (EUR 47.9 million) was transferred from non-current bonds in 2009 as this is due to be repaid in 2010 (nil in 2008).

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

The Group has entered into interest rate derivatives representing 72.7% of the non-current floating rate borrowings (in 2008: 72.8%) and 35.7% of the current floating rate borrowings (in 2008: 51.3%) 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 1.108 billion (1.087 billion as at 31 December 2008).

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Held for sale liabilities in Current represent the loans in respect of Helberger, Stein, Budapest Bank, and Wasserstrasse which are classified as held for sale and accrued interests amounting to EUR 0.3 million.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	31 December 2009	31 December 2008
EUR	1,344,648	1,267,515
CZK	116,310	115,576
PLN	75,021	70,658
SKK	-	47,454
RUR	761	-
USD	48,867	53,343
HUF	270	-
HRK	14,600	11,210
Total	1,600,477	1,565,756

Undrawn bank credit facilities

	31 December 2009	31 December 2008
Expiring within one year	98,064	63,383
Expiring after one year	34,771	238,200
Total	132,835	301,583

In 2009

The decrease in undrawn credit facilities is due to three main factors:

Amounts drawn in 2009 on Sky Office project in Germany (EUR -33.9 million), on H2 Office project in Germany (EUR -14.0 million), on Healthcare senior homes in Germany (EUR -20.7 million), on Zlota 44 in Poland (EUR -4.7 million), on Na Porici and on Kosic (phase 2) in Czech Republic (respectively EUR -6.8 million and EUR -4.4 million).

The sales of City Gate in Slovakia and Origo Project in Hungary had undrawn credit facilities of EUR 58.3 million as at December 2008.

EUR -39.0 million of the undrawn credit facilities in 2008 expired in 2009.

There are also expanded credit lines in 2009 mainly for Sky Office in Germany (EUR 18.7 million), Targowek / Malborska (EUR 6.7 million), and Suncani Hvar (EUR 3.6 million).

In 2008

The decrease in undrawn credit facilities is mainly due to amounts drawn in 2008 for the following projects:

- Sky Office project in Germany (EUR -46.8 million);
- Zlota Tower in Poland (EUR -24.9 million);
- Na Porici and Kosic (phase 2) in Czech Republic (respectively EUR -9.9 million and EUR -6.0 million).

There are also new contracted credit lines in 2008, mainly for the following projects:

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- Origo Film Studios in Hungary (EUR 41.0 million);
- H2 Office in Germany (EUR 17.1 million).

Exchangeable bonds in Suncani Hvar shares

The acquisition of Suncani Hvar dd has been financed by a private placement of an exchangeable bond issued by the Company under the following terms:

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Bonds

Nominal EUR 24,169,193.39

Issue price EUR 26.03

Issue date 30 June 2005

Nominal interest rate 5.5 %

Exchange at the discretion of bondholder between 1 July 2010 and 11 June 2012 in Suncani Hvar dd share, one share for one bond.

Repayment date the non exchanged bonds will be reimbursed at nominal value in cash on 30 June 2012

ISIN XS0223586420

Listing Luxembourg Stock Exchange

As at 31 December 2009, no bond had been exchanged.

The funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a long term derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The derivative component of EUR 0.7 million (EUR 1.4 million in 2008), classified in non-current financial obligations, represents the market value of the call options embedded in the bond. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance at 31 December 2007	20,628
Interest accumulated during the period	156
Own bonds	-1,389
Balance at 31 December 2008	19,395
Interest accumulated during the period	123
Own bonds	-1,548
Balance at 31 December 2009	17,970

As at 31 December 2009, the market price of Hvar dd shares on the Zagreb Stock Exchange was HRK 29.50 (HRK 39.90 at 31 December 2008). From issue date to 31 December 2009, the Group has repurchased 225,081 exchangeable bonds (164,081 as at 31 December 2008).

Bonds with repayable subscription warrants (“OBSAR 1”)

Orco Property Group launched an exchange offer on the 2012 callable warrants (BSAR 2012) (ISIN code: LU0234878881). Each holder of warrants was entitled to elect to receive, for every 3 BSAR 2012, 1 new share of the Company and 3 new BSAR 2014 (ISIN code: XS0290764728). The prospectus of the exchange offer on the 2012 callable warrants of the Company was approved by the Commission de Surveillance du Secteur Financier (CSSF) on 22 October 2007. The offer closed on 16 November 2007 with 1,077,861 2012 callable warrants tendered into the offer (success rate of 98.07%).

As a consequence:

359,287 new shares have been issued.

1,077,861 new 2014 callable warrants (exercise price of EUR 146.39) have been issued. The number of warrants reaches 2,871,021. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2014 callable warrant exercised at EUR 146.39 in 2014. Refer to note 19.9 for amendments on

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BSAR 2014. The resolution was approved by 95.11% of the warrant holder present (out of which 91.7% were represented by key management personnel) with over 50% of warrant holders present or represented.

The number of existing 2012 callable warrants (exercise price of EUR 68.61) is thus reduced to 21,161. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2012 callable warrant exercised at EUR 68.61.

Bonds

Nominal EUR 50,272,605.30

Number of bonds 73,273

Nominal value per bond EUR 686.10

Issue price per bond EUR 682.38

Redemption 18 November 2010

Normal Redemption at par, EUR 686.10 per bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group S.A. share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is equal to or greater than the Exercise Price of the Redeemable Share Subscription Warrants,

at 120% of par, that is EUR 823.32 per Bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is less than the Exercise Price of the Redeemable Share Subscription warrants.

Early Redemption Option for the Group to redeem all bonds at 120% of the par value on any Interest Payment Date subject to one month's notice to bearers before the early redemption date.

Nominal interest rate 4.5%

ISIN FR0010249599

Listing Euronext - Paris

Warrants

Number of warrants 21,161 (corresponding to an initial ratio of 15 warrants/issued bond)

Exercise ratio one warrant gives the right to 1.03 share

Exercise price EUR 68.61

Exercise period until 18 November 2012

Early repayment From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01 if the average share price over the last 10 days preceding 19 November 2007 is higher than EUR 96.05.

ISIN LU0234878881

Listing Euronext - Paris

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 3.7 million reduced by EUR 2.4 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 6.8 million (EUR 5.5 million in 2008), classified in non-current liabilities under the caption Derivative Instruments, represents the market value of the redemption premium granted to the bondholder if the average market price of Orco shares does not reach a certain level before the repayment date. This derivative is revalued at its market value at each closing through the income statement. The external valuer used a credit spread of 55.34%. The difference between the debt

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component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance as at 31 December 2007	43,208
Interest accumulated during the period	2,280
Balance as at 31 December 2008	45,488
Interest accumulated during the period	2,433
Balance as at 31 December 2009	47,921

Convertible bonds 2006-2013

Bonds

Nominal EUR 149,999,928

Number of bonds 1,086,956

Nominal value per bond EUR 138.00

Issue price per bond at par value, EUR 138.00

Redemption price if not converted 138.62% of par at EUR 191.29; i.e. a gross yield-to-maturity of 5.65%

Nominal interest rate 1.0%

Normal Redemption the non converted bonds will be reimbursed in cash on 31 May 2013.

Conversion ratio One new share for one bond

Issuance date 01 June 2006

Early Redemption Subject to the one month's notice to bearers before the early redemption date, the Company may redeem all bonds from 1 July 2008 under the condition that the share price of Orco Property Group exceeds 130 % of the issue price during 30 consecutive days after 1 June 2008. The bondholders who did not convert within 30 days will, on top of the par and accrued interest, receive a reimbursement premium giving them a 5.65 % IRR.

ISIN FR0010333302

Listing Euronext – Paris

Balance as at 31 December 2007	129,762
Interest accumulated during the period	13,599
Own Bonds purchased	-8,317
Balance as at 31 December 2008	135,044
Interest accumulated during the period	14,131
Own bonds reissued	1,200
Balance as at 31 December 2009	150,375

As at 31 December 2009, no bond had been converted.

The funds raised with this convertible bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 27.3 million reduced by EUR 8.3 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the call options embedded in the convertible bond.

As disclosed above, the terms of the issuance include a redemption premium to be paid by the Group if the bond is not converted. In accordance with IAS 32 prescriptions, this premium is amortized as interest over the lifetime of the bond.

In 2009 Orco Property Group sold 76,279 bonds on the open market for a total consideration of EUR 1.2 million and as at 31 December 2009 holds no bonds (76,279 in 2008).

CZK 1.4 billion floating rate bond ("Czech Bond")**Bonds**

Nominal CZK 1,400,000,000
 Number of bonds 140
 Nominal value CZK 10,000,000
 Issue price CZK 10,000,000
 Nominal interest rate 6M Pribor + 2.20%
 Issuance date 03 February 2006
 Final redemption date 03 February 2011
 ISIN CZ00000000195
 Listing Prague Stock Exchange

Balance as at 31 December 2007	52,206
Interest accumulated during the period	321
Repayment	-38,742
Translation differences	-2,710
Balance as at 31 December 2008	11,075
Interest accumulated during the period	26
Translation differences	196
Balance as at 31 December 2009	11,297

The prospectus related to the Czech Bond has been approved on 26 January 2006 by the Securities Commission of the Czech Republic (the "Czech Bond Prospectus"). There are 2 Czech Rating Agencies (the "CRA") ratings outstanding at the date of the issuance of the Czech Bonds: "czP-2" for the long term international CRA rating and "czA-" for the long term local CRA rating. Furthermore the Czech Bond Prospectus states that if CRA withdraws the above-mentioned ratings, the Company shall ask a well-known rating agency in the Czech Republic to issue a rating within 6 months. If CRA or any other rating agency issues a long-term international CRA rating below "investment grade i.e. Baa-" or a long term local CRA rating below "investment grade i.e. czBaa-", any investor in the Czech Bonds may call for the reimbursement of its bonds. The reimbursement would then be due on the last business day of the month following the month of the reimbursement request. On the Company's initiative, Moody's International has issued two ratings: "B2" and "Baa3cz". Since its complete integration within Moody's, CRA cannot issue international ratings any more, but merely local ratings. However, the scale established by CRA in the Czech Bond Prospectus, setting the minimum threshold to "investment grade" for international rating does not fit with the Moody's "investment grade" level. Hence, there is a comparability technical default in relation to the Czech Bonds.

No new bonds have been issued in 2009.

Based on requests for early redemption received from individual holders following the downgrade of rating by Moody's, the Group has reimbursed 110 bonds (out of 140 outstanding) amounting to 1,100,000,000 CZK (EUR 40.8 million in 2008). Out of the 30 remaining bonds, reimbursement requests have been received for 27 bonds in 2009.

See note 3.2 for covenants and note 34 explaining the non-repayment of the balance in 2009 due to the "Procédure de Sauvegarde".

Bonds with repayable subscription warrants (“OBSAR 2”)

Refer to the note on the OBSAR 1 concerning the exchange offer relative to the 2012 callable warrants.

On December 16, 2009, a general meeting of the holders of warrants 2014 was held and approved the following changes proposed by the Company to permit the exchange of warrants for shares and/or redemption of the bonds by the company prior to 2014:

Amendments applicable until February 15, 2010

Each warrant 2014 shall entitle the holder to acquire 8.7 existing shares and/or subscribe to 8.7 new shares at the exercise price of EUR 60.9 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time until February 15, 2010 at a unit price of EUR 0.01 subject to the following conditions:

the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR 87 for the first tranche being one third of outstanding warrants; EUR 130.5 for the second tranche being half of outstanding warrants; and EUR 174 for the remaining outstanding warrants.

Amendments applicable after February 16, 2010

Each warrant 2014 shall entitle the holder to acquire 1.6 existing shares and/or subscribe to 1.6 new shares at the exercise price of EUR 11.2 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time as from February 16, 2010 at a unit price of EUR 0.01 subject to the following conditions:

the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR16 for the first tranche being one third of outstanding warrants; EUR 24 for the second tranche being half of outstanding warrants; and EUR 32 for the remaining outstanding warrants.

The resolution was approved by 95.11% of warrant holders (out of which 91.7% were represented by key management personnel) present with over 50% of warrant holders present or represented.

Bonds

Issuer Orco Property Group S.A.

Nominal EUR 175,000,461.60

Number of bonds 119,544

Nominal value per bond EUR 1,463.90

Issue price per bond EUR 1,421.45

Redemption 28 March 2014

Redemption price 117.5% of par at EUR 1,720.08, i.e. a gross yield-to-maturity of 7.383%.

Nominal interest rate 2.5%

ISIN XS0291838992 / XS0291840626

Listing Euronext - Brussels

Creditors in respect of the share subscription options maturing in 2014

The share subscription options maturing in 2014 issued by OPG on the basis of the prospectuses registered by the Commission de Surveillance du Secteur Financier on 22 March 2007 and 22 October 2007 (ISIN XS0290764728) could result in a liability for the Company in the event of any change in its control. Total liabilities of EUR 0.7 Million are involved.

Warrants

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Number of warrants 1,793,160 at issuance (corresponding to 15 warrants/issued bond)
2,871,021 after the public exchange offer on the OBSAR 1

Exercise ratio one warrant gives the right to 1.03 share (before amendments)

Exercise price EUR 146.39 (before amendments)

Exercise period until 28 March 2014

Early repayment From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceeding period of 30 consecutive dealing days exceeds EUR 190.31 (before amendments).

ISIN XS0290764728

Listing Euronext - Brussels

Euronext - Paris

The funds raised with this bond have been, at issuance, divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 23.9 million reduced by EUR 2.4 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond.

Balance at 31 December 2007	143,575
Interest accumulated during the period	8,094
Own bonds	-8,952
Balance at 31 December 2008	142,717
Interest accumulated during the period	8,700
Own bonds	-740
Balance at 31 December 2009	150,677

As at 31 December 2009 Orco Property Group owned 8,533 bonds (8,533 in 2008) whose value has remained constant EUR 1,421.45 (EUR 1,421.45 as at 31 December 2008).

Bonds with repayable subscription warrants ("OBSAR OG")

Bonds

Issuer Orco Germany SA

Nominal EUR 100,100,052

Number of bonds 148,077

Issue price per bond at par value, EUR 676

Maturity date 30 May 2012

Redemption price at 100% or at 125% of par, depending on the occurrence of specific external events, namely the market price of Orco Germany S.A.

Nominal interest rate 4%

ISIN XS0302623953

Listing Luxembourg Stock Exchange

Warrants

Number of warrants 9,328,851 (corresponding to 63 warrants/issued bond)

Exercise ratio one warrant gives the right to one share

Exercise price EUR 16.90 or 125% of the reference share price of Orco Germany S.A. if the latter is lower than EUR 13.52 per share

Exercise period 30 May 2007 until 30 May 2014

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Early repayment From 30 May 2010, the issuer may, upon notice to the warrant holders, redeem the warrants at EUR 0.01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceding period of 30 consecutive dealing days

ISIN XS0302626899

Listing Luxembourg Stock Exchange

The funds raised with this bond have been, at issuance, divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 13.5 million reduced by EUR 3.7 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 8.5 million (EUR 7.6 million in 2008) classified in non-current financial liabilities under Derivative Instruments, represents the market value of the redemption premium granted to the bondholders if the average market price of Orco Germany shares does not reach a certain level before the repayment date. The external valuer used a credit spread of 55.34%. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance as at 31 December 2007	83,432
Interest accumulated during the period	3,361
Balance as at 31 December 2008	86,793
Interest accumulated during the period	3,581
Balance as at 31 December 2009	90,374

As at 31 December 2009 Orco Property Group owned 550,000 warrants (2,937,331 in 2008).

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Derivatives

Derivative instruments are presented within other current assets when fair value is positive, in other current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

Derivatives used by the Group include interest rate derivatives, foreign exchange forward contracts, share derivatives and embedded derivatives on bonds.

Share derivatives represent call options on Suncani Hvar shares corresponding to the options issued with exchangeable bonds (see note 19.5).

Embedded derivatives on bonds correspond to the derivatives embedded on the OBSAR (see notes on the specific bonds 19.6 and 19.10).

Orco Property Group uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates.

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates. As at 31 December 2009 the total debt covered by interest rate swaps and collars amounts EUR 495.7 million (EUR 738.6 million in 2008) or 53.2% of the floating rate debt (71.7% in 2008).

Foreign exchange derivatives include agreements to buy or sell a quantity of currency at a predetermined future date and rate. Orco Property Group uses foreign exchange derivatives in PLN to cover financing needs for the development of Poland.

	31 December 2009	31 December 2008
Interest rate derivatives	255	260
Forex derivatives	2,440	4,838
Total current assets	2,695	5,098
Share derivatives	702	1,430
Embedded derivatives on bonds (see note 19.9)	8,587	13,487
Total non-current liabilities	9,289	14,917
Forex derivatives	-	2,748
Embedded derivatives on bonds (see note 19.5)	6,817	-
Interest rate derivatives	37,563	35,634
Total current liabilities	44,380	38,382
Net derivatives	-50,974	-48,201

The
Forex

derivatives in current liabilities in 2008 expired in April 2009 with a final settlement amount of 1.3MEUR. This has yet to be paid and is recognized in other liabilities.

Capitalised interests on inventories and properties under development

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	31 December 2009	31 December 2008
Inventories	7,779	14,745
Properties under construction	2,736	7,371
Capitalised interests	10,515	22,116

Average effective interest rates (current and non current)

	31 December 2009						
	EUR	CZK	SKK	HUF	PLN	HRK	USD
Bonds	9.05%	4.52%	-	-	-	-	-
Bank borrowings	4.81%	3.99%	-	7.30%	6.41%	4.65%	5.54%

	31 December 2008						
	EUR	CZK	SKK	HUF	PLN	HRK	USD
Bonds	8.25%	6.20%	-	-	-	-	-
Bank borrowings	3.82%	5.52%	4.62%	-	7.31%	4.18%	5.03%

Minimum lease payments

	31 December 2009	31 December 2008
Future rent more than 5 years	3,756	3,803
Future rent up to 5 years	504	514
Future finance charges on finance leases	-3,138	-3,191
Present value of finance lease liabilities	1,122	1,126

Provisions & other long

term liabilities

This caption includes other long term liabilities for EUR 2.0 million (EUR 13.0 million in 2008) representing mainly retention on general contractors' invoices when applicable. The provisions amount of EUR 15.0 million in 2009 (compared to EUR 16.6 million in 2008) includes mainly provisions accumulated to cover the Group's retirement benefit obligation as detailed hereafter. No provision for restructuring is booked in 2009 (EUR 3.2 million in 2008).

Retirement benefit obligation:

In the Group, only Orco Projektentwicklungs GmbH (formerly Viterra Development GmbH) and Viterra Baupartner GmbH (acquired in 2006) have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet.

	31 December 2009	31 December 2008
Present value of unfunded obligations	8,661	7,964
Unrecognised actuarial gains	1,136	1,827
Liabilities in the balance sheet	9,797	9,791

The movement in the defined obligation over the year is as follows:

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	2009	2008
Beginning of the year	7,964	7,934
Current service cost	26	85
Interest cost	455	426
Actuarial gains	617	-90
Benefits paid	-400	-391
End of the year	8,662	7,964

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The principal actuarial assumptions used were as follows:

	31 December 2009	31 December 2008
Discount rate	5.25%	5.85%
Future salary increases	2.75%	2.75%
Future pension increases	2.00%	2.00%
Corridor	10.00%	10.00%

Current financial liabilities

Current financial liabilities as at 31 December 2009 are presented below and do not include derivatives instruments:

At 31 December 2009	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	364,688	58,091	232,216	654,995
Trade payables	12,162	16,242	5,076	33,480
Advance payments	11,533	3,519	38,160	53,212
Other current liabilities	34,349	47,214	10,549	92,112
Liabilities held for sale	42,982	8,469	-	51,451
Total	465,714	133,535	286,001	885,250

At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	41,124	122,327	146,385	309,836
Trade payables	41,064	9,206	9,247	59,517
Advance payments	5,532	7,684	47,904	61,120
Other current liabilities	10,338	44,879	30,206	85,423
Total	98,058	184,096	233,742	515,896

The other current liabilities excluded in this table (as not being part of the IFRS definition of financial instruments) represent tax, payroll and social liabilities for EUR 16.6 million.

The overall increase in financial debts is mainly due to transfers of breached loans (EUR 365.9 million of loans with breach covenants as at 31 December 2009) and EUR 47.9 million bonds which fall due in November 2010. The related amount of accrued interests on loans in breach amounts to EUR 3.2 million.

Employee Benefits

	2009.12	2008.12
Salaries	-40,118	-46,029
Social security expenses	-6,668	-6,736
Pension costs	-833	-860
Stock options	-	-
Training charges	-226	-378
Employee benefits	-499	-3,815
Other personnel related charges	-942	-1,524
Total salaries and employee benefits	-49,286	-59,342

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Other operating expenses

	31 December 2009	31 December 2008
Leases and rents	-4,640	-6,007
Building maintenance and utilities supplies	-29,863	-32,546
Marketing and representation costs	-6,434	-14,368
Administration costs	-26,938	-30,590
Taxes other than income tax	-6,529	-7,333
Other operating expenses	-1,899	-8,416
Total	-76,303	-99,260

Foreign exchange result

	31 December 2009	31 December 2008
Foreign exchange result from revaluation of investment property	-954	4,046
Other foreign exchange result	5,640	-25,240
Total	4,686	-21,194

Other net financial results

	31 December 2009	31 December 2008
Change in carrying value of liabilities at amortised cost (1)	17,972	-
Change in fair value and realised result on derivative instruments (2)	-2,241	-24,868
Change in fair value and realised result on other financial assets (3)	-43,712	-13,831
Other net finance charges (4)	-8,719	-3,140
Total	-36,700	-41,839

The non eliminated part of one loan granted to the Hospitality joint venture has been valued at amortised cost on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at inception of the equity loan. A gain has been recognised for EUR 18.0 million.

Change in the fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Group and in fair value of other derivatives (IRS, options and forwards). Please refer to note 19 and note 4.1 for further details.

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

It relates to:

- Investment in Endurance Fund compartments for EUR -19.8 million, of which EUR 2.5 million linked to a liquidity discount applied of 20%.

- The non eliminated part of two loans granted to the Hospitality joint venture has been fair valued on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at closing date. A loss has been recognised for EUR 22.9 million.

Other net finance charges consist primarily of restructuring fees, bank charges, overdrafts, and an impairment (EUR -1.4 million) of loan receivable from Vignette investment.

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Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes laid by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

	December 2008	Scope Variation	Variation	Other	Change in %	December 2009
Intangible assets	-2,151	-	-1	-	-	-2,152
Tangible assets	-142,093	2,748	50,308	-	114	-88,923
Financial assets	3,072	-502	963	-	-50	3,483
Inventories	-6,540	1,308	11,703	-	-209	6,262
Current assets	-3,930	385	-1,101	-870	-360	-5,876
Equity	-1,277	-	2	-53	34	-1,294
Provisions	-196	-	2,166	-495	-114	1,361
Long term debts	-16,151	863	4,550	-187	-751	-11,676
Current debts	4,422	-	2,078	-45	-37	6,418
Recognized loss carry forward	4,292	-	-9,458	-	80	-5,086
Total deferred taxes	-160,552	4,802	61,210	-1,650	-1,293	-97,483

Deferred tax assets	7,352	3,742
Deferred tax liabilities	-167,904	-101,225

	December 2007	Scope Variation	Variation	Other	Translation differences	Change in %	December 2008
Intangible assets	-2,040	-	115	-84	17	-159	-2,151
Tangible assets	-231,589	5,855	47,008	26,420	936	9,277	-142,093
Financial assets	701	50	1,315	1,076	5	-75	3,072
Inventories	-3,871	34	11,399	-15,324	598	624	-6,540
Current assets	-17	3	-3,019	-584	2	-315	-3,930
Equity	1,441	-	-1,375	-1,308	6	-41	-1,277
Provisions	101	33	-523	193	4	-4	-196
Long term debts	-17,459	118	718	249	86	137	-16,151
Current debts	-	-29	4,517	-38	-5	-23	4,422
Recognized loss carry forward	22,541	-305	-9,684	-8,032	-155	-73	4,292
Total Deferred taxes	-230,192	5,759	50,471	2,568	1,494	9,348	-160,552

Deferred tax assets	13,748	7,352
Deferred tax liabilities	-243,940	-167,904

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	December 2009	December 2008
Loss before tax	-364,374	-514,413
Tax calculated at domestic rates applicable to profits in the respective countries	-89,339	-118,729
Tax effects of:		
Untaxed gains or losses	1,569	3,908
Undeductible charges and interests	3,066	11,431
Unrecognised loss carry forward	33,388	60,757
Other income tax	-132	-
Profits with another applicable tax rate	-	1
Remeasurement of deferred tax - change in tax rates	1,292	-7,766
Adjustments from previous years	1,298	-197
Tax benefit	-48,858	-50,595

In 2009

The income tax rates in the Group vary from 16% in Hungary up to an average of 33.33% in France. In 2009, the theoretical tax rate is 24.52% (23.08% in 2008) and the effective tax rate of the period is 13.41% (2008: 9.84%). The income tax benefit recognized in the income statement amount to EUR 48.9 million and composed of EUR 8.1 million of current income tax expenses and EUR 57.0 million of deferred income taxes gain arising essentially from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 62.0 million).

Compared to 2008, some changes have been made on the following applicable tax rates, due to new tax legislation:

	Income Tax Rates		Deferred Income Tax rates	
	2009	2008	2009	2008
Croatia	20.00%	20.00%	20.00%	20.00%
Czech Republic	20.00%	21.00%	19.00%	20.00%
France	33.33%	33.33%	33.33%	33.33%
Germany	30.17%	30.17%	30.17%	30.17%
Hungary	16.00%	16.00%	19.00%	16.00%
Luxembourg	30.84%	29.00%	30.84%	29.00%
Poland	19.00%	19.00%	19.00%	19.00%
Russia	20.00%	20.00%	20.00%	20.00%
Slovakia	19.00%	19.00%	19.00%	19.00%

In 2008

The income tax rates in the Group vary from 16% in Hungary up to an average of 33.33% in France.

In 2008, the theoretical tax rate is 23.08% (31.95% in 2007) and the effective tax rate of the period is 9.84% (2007: 2.27%). The income tax benefit recognized in the income statement amount to EUR 51.0 million and composed of EUR 8.9 million of current income tax expenses and EUR 59.9 million of deferred income taxes gain arising from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 62.0 million).

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Earnings per share

	31 December 2009	31 December 2008
At the beginning of the year	10,818,000	10,687,392
Shares issued	10,943,866	10,836,794
Treasury shares	-125,866	-149,402
Weighted average movements	-86,039	-115,772
Issue of new shares	0	63,070
Treasury shares	-86,039	-178,842
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	10,731,961	10,571,620
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	10,731,961	10,571,620
Net loss attributable to the Equity holders of the Company	-250,564	-390,560
Net loss attributable to the Equity holders of the Company after assumed conversions / exercises	-250,564	-390,560
Basic earnings in EUR per share	-23.35	-36.94
Diluted earnings in EUR per share	-23.35	-36.94

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

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

In December 2009, 833 084 Warrants have been attributed to Management (see note 31 on IAS 24 – Related Parties).

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Equity holders
Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2007	10,836,794	44,431	395,762
Dividend paid in shares	107,072	439	4,762
Balance at 31 December 2008	10,943,866	44,870	400,524
Balance at 31 December 2009	10,943,866	44,870	400,524

All the shares of the Company are of equal value. Each share is entitled in the profits and corporate capital to a prorata portion of the percentage of the corporate capital it represents, as well as to a voting right and representation at the time of General Meeting, the whole in accordance with statutory and legal provisions.

2009

No movement occurred in 2009 on share capital or share premium.

2008

The Extraordinary Shareholders' Meeting of 8 July 2008 renewed the authorization granted by shareholders to the Board of Directors on May 18, 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorized capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorized capital of EUR 300,000,001.20 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors has been authorised and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 08 July 2013.

A total of EUR 44,869,850.60 has been used to date under this authorisation. As such, the Board of Directors still has a potential of EUR 255,130,150.60 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 62,226,866, new shares may still be created.

During the year, the Group repurchased 67,184 shares for an amount of EUR 4.1 million and sold 116,765 shares for an amount of EUR 1.9 million.

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

Callable warrants on OPG shares

On 18 February 2008, the Board of Directors has decided to decrease the strike price of the 2014 callable warrants (ISIN code: XS0290764728) from EUR 143.39 to EUR 100.00. As at 31 December 2009, no warrants have been exercised (none in 2008).

Convertible bonds

See note 19.7

Repayable subscription warrants

See notes 19.6, 19.9 and 19.10

Employee stock options

No new stock option plan has been granted in 2009.

On 3 March 2006, a stock option plan was granted to employees under the following conditions:

Exercise price: EUR 75.6 per share

Exercise period: from 3 March 2007 until 3 March 2012

Total number of options: 350,000

In accordance with IFRS 2 share-based payments, the total theoretical and non-cash cost of EUR 9.1 million has been estimated and is amortized in the income statement under the Employee benefit caption over the one year vesting period. This fair value was determined using the Black-Scholes valuation model. The significant input into the valuation model were share price of EUR 72.15 at grant date, exercise price as stated above, risk-free interest rate Euribor.

Movements in the number of share options:

	2009		2008	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
Outstanding at the beginning of the year	75.60	63,000	75.60	63,000
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-3,000	-	-
Outstanding at the end of the year	75.60	60,000	75.60	63,000

Dividends per share

The Board of Directors has decided to not propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the year 2009.

The dividends paid in 2008 and 2007 were EUR 14.9 million (EUR 1.40 per share) and EUR 8.6 million (EUR 1.00 per share) respectively.

PACEO

On 12 April 2006, Orco Property Group S.A. and Société Générale in Paris (“SG”) have arranged a new Step-up Equity Subscription. It allows the Group to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 31 December 2006, the Company has issued 450,000 new shares for a total amount of EUR 43.8 million.

In 2007, no shares have been issued under the existing PACEO program. As at 31 December 2007, the program is still open for the issue of 550,000 new shares until 12 April 2008.

On 13 August 2008 the Group has concluded with Société Générale a third PACEO in the overall limit of 2,000,000 new shares over a period of 24 months through the issuance of unlisted share subscription rights (Bon d’Emission d’Actions or BEA). The exercise of each BEA obliges Société Générale to subscribe to one of Orco Property Group’s common shares. As at 31 December 2009, no BEA have been exercised and as a result no new shares have been issued.

Contingencies

The Group has given guarantees in the ordinary course of business, more specifically on the residential units delivered. Such guarantees are internally covered by the guarantees granted by the general contractor.

As at the date of publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability.

Capital and other commitments

Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at December 2009, the remaining balances to be called amount to:

EUR 13.5 million out of EUR 21.9 million subscribed for the residential sub-fund (EUR 13.5 million in 2008);

EUR 3.4 million out of EUR 27.0 million subscribed for the office sub-fund (EUR 4.3 million in 2008);

EUR 28.8 million out of EUR 30.0 million subscribed for the office II sub-fund (EUR 28.8 million in 2008).

- 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 December 2009 amount to EUR 0.6 billion (EUR 0.8 billion in 2008). This does not take into account the potential investments in future projects on land bank like Bubny in Prague, Wertheim in Berlin or hotels to be refurbished in Suncani Hvar.

- End of 2007, the Group entered into an agreement for the acquisition of a retail building under construction to be delivered in 2009. This engagement of USD 300 million is covered by an advance payment of USD 25 million. This advance payment recorded in the consolidated financial statements as a long term receivable was fully impaired as at December 2008.

Bank loans covenants (see note 3.3 and 19.2)

Other commitments

In a decision taken on 3 March 2006, the Board of Directors granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 million (as at 31 December 2009: remaining amount of EUR 16 million). This indemnity would become payable by the Company to the relevant management member only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

Related party transactions

Transactions with key management personnel

(a) Remuneration of key management personnel

The members of the Executive Committee are considered as the key management personnel of Orco Property Group. In 2008 until February 2009 it was made of 20 people. After the restructuring of the group management and the alignment of its structure with the business lines, the Executive Committee has been reduced to six executive managers.

The global consideration given as short term employee benefit to the members of the Executive Committee amounted to EUR 4.5 million as at 31 December 2009 (EUR 6.4 million in 2008), out of which EUR 2.8 million relate to former executive committee members with EUR 0.6 million as severance payment and EUR 0.2 million will only be paid at the termination of the contract of current executive board members.

Beginning of 2008, the Board decided to grant an attendance fee of EUR 5,000 only to non-executive members. End of 2008, the Board decided unanimously to cancel all attendance fees related to the year 2008.

In November 2009, the Board of Directors of the Company decided to modify the remuneration plan for board, committee and general meeting attendances that applies to all Board members except the management who is paid by the Company. According to the remuneration plan, a compensation of €1,000 is granted to each Board member and Committee member for the attendance to all physical Board and Committee meetings. A compensation of €1,500 is granted to the Committee president for the attendance as president to all Committee meetings. €4,500 is granted to compensate the President

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presiding an ordinary and extraordinary general meeting of shareholders and such compensation is retroactively applied to January 2009. All other compensations are retroactively applied to July 1, 2009 and amount to EUR 50.500 for 2009, including presidency compensations. In respect of the bylaws requiring that each Board member must hold at least one share of the Company, one share has been granted for free to each Board member that was not holding previously the required share.

Based on the Remuneration and related parties committee dated November 17, 2009 and following a decision of Board of Directors of the Company taken on November 18, 2009, the Company attributed in December 2009 an aggregate amount of 833,084 warrants 2014 (ISIN: XS0290764728) issued by the Company ("Company warrants") and an aggregate amount of 1,598,000 warrants (ISIN: XS0302626899) issued by its subsidiary Orco Germany S.A. ("Orco Germany warrants") as an incentive remuneration to the three executive Board Members for a total amount of EUR 990 thousand. This incentive remuneration has been paid to the above mentioned executive Board Members as a result of their commitment and achievements in restructuring OPG through the past year. For the purpose of such attribution, on the basis of external advice, the Board of Directors has taken in consideration 1) the market value of the instruments amounting to EUR 1.22 for the Orco Property Group 2014 warrant; 2) the intrinsic value of the warrants based on the underlying Company stock price as at November 17, 2009 which priced the Orco Property Group 2014 warrant at EUR 1,17 and the Orco Germany warrant at EUR 0,01; and 3) the very low trading liquidity of those instruments. The transaction has been recorded as an expense under employee benefits for a total amount of EUR 3.5 million on the basis of a fair value report prepared by an external consultant pricing Orco Property Group 2014 warrant at EUR 4.21 and Orco Germany warrant at EUR 0.01 at the date of November 18, 2009.

In a decision taken on 3 March 2006, the Board of Directors of the Company granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 million. As a result of the reduction of the number of persons covered by this termination agreement as at December 31, 2009, the potential termination indemnity payment amounted to EUR 16 million (as at December 31, 2008: EUR 19 million). This indemnity would become payable by the Company to the relevant management member only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

The stock options granted to the employees are detailed in note 28.

(b) Loans and advances with key management personnel

On December 4, 2008, the Company has granted a seller's financing of EUR 1.4 million (which is fully impaired as of 31 December 2009 as a result of the termination of the consulting contract with that company) to Vignette Investissements S.A., a French company managed by Keith Lindsay, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company, incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance is granted for a period of 7 years ending on December 31, 2015 and bears an interest rate of 5% per year payable annually.

On 18 July 2007, CJSC MOPT(s)R-MOLCOM, a subsidiary of the Company, has granted a loan RUR 28 million to one of its Director (equivalent EUR 0.7 million as at December 31, 2008 and EUR 0.8 million as at 31 December 2007). Considering the addendum dated 21 January 2009, this loan has a maturity date on 21 January 2012 and bears an interest rate of 10% per year payable at repayment date. The loan of RUR 28 million has been repaid by the Director to CJSC MOPT(s)R-MOLCOM on 20 August 2009.

On 15 May 2008, the Company granted a loan of USD 825,000 to Urso Verde S.A., a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of May 15, 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a

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forest in Chile in order to launch an 'Endurance forest fund' in conjunction with Orco and the Endurance Fund, which failed due to the current financial context. On 30 April 2009, Urso Verde S.A. pledged 90 660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt (collateralized debt) and the Company exercised its pledge on 15 June 2009. On 28 and 31 August 2009, the Company sold 90,000 of the shares for an aggregate amount of EUR 812,250 (sale proceeds). Pursuant to the Share Pledge Agreement, the shares remaining after Urso Verde S.A.'s debt has been reduced to zero shall be returned unencumbered. Urso Verde S.A. requested return of the surplus EUR 132,298 in the form of shares. The Company has not returned the shares to Urso Verde S.A..

On 22 February 2007, the Company has granted a loan of EUR 216,068 to OTT&CO S.A. (previously Orco Holding). This loan had a maturity date on 1st March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 31 December 2009, this loan (nominal and interests) had not been repaid (the "OPG Receivable").

On 24 March 2010, Urso Verde S.A., OTT & CO S.A. and the Company have agreed to restructure their debts described in the previous two paragraphs. The Company and Urso Verde S.A. agreed, that the Company shall return to Urso Verde S.A. surplus of EUR 132,298 left after sale of the shares in cash instead of returning of the shares, and that this amount shall bear an interest of 9% per year from 1 September 2009 until repayment (the "Urso Verde Receivable"). On 24 March 2010, Urso Verde S.A. assigned the Urso Verde Receivable amounting to a total of EUR 138,985 (EUR 132,298, plus interest of EUR 6,687 as of 24 March, 2010) to OTT&CO S.A. The Company and OTT & CO S.A. agreed to offset the Urso Verde Receivable amounting to EUR 138,985 with the OPG Receivable, amounting to EUR 276,058 (EUR 216,068 principal, plus interest accrued of EUR 59,990) as of 24 March, 2010, leaving EUR 137,073, being the outstanding principal of the OPG Receivable as of this date.

Besides, Orco Charter, a wholly owned subsidiary of OTT&CO S.A., remains creditor of Blue Yachts, a 70% subsidiary of Suncani Hvar, itself a subsidiary of the Company, for an amount of EUR 181,649 as of 31 December, 2009, which has not been reimbursed to date.

On February 16, 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on March 1st, 2008 and with interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 13,333 new shares of Orco Germany S.A.. As at 31 December 2009, this loan has not been repaid yet. The loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis.

Mr Steven Davis also benefited from a loan of CZK 1,520,000 (EUR 56,438) from Orco Project Management sro, a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31st December 2008. The Company has launched legal action to recoup this receivable. This loan has been fully impaired as at 31 December 2009.

(c) Other transactions with key management personnel

On October 2, 2008, a company owned by Jean-François Ott, has transferred to the Company 71,860 exchangeable bonds in Suncani Hvar shares in exchange of 90,720 shares of the Company. The exchangeable value amounted to EUR 1,870,519.

In 2008, apartments built by the Group in the Czech Republic have been sold to one member of the executive committee for a total amount of EUR 0.3 million with an average discount of 6.0% compared to market conditions. The sale of these apartments to the member of the executive committee has been cancelled in 2009 and therefore was never been transacted. In 2009, two real estate assets were sold to two members of the Executive Committee for a total amount of EUR 0.4 million with no discount.

The Company has an investment in NOVY Fund, a related party of one member of the key management personnel. The cost of such investment amounts to EUR 1.4 million as at December 31, 2009 (EUR 1.4 million as at December 31, 2008) and its fair value amounts to EUR 0.3 million as at December 31, 2009 (EUR 0.5 million as at December 31, 2008).

As per a December 2007 transaction, 788,804 Company warrants were received in January 2008 from OTT&CO S.A. as settlement of its debt for an amount of EUR 12,104,863. Those warrants, together with other Group owner Company warrants, have been allocated to the management.

In February 2008, Orco Germany S.A. took over development projects in Kleinmachnow “Neue Hakeburg” and “Hochwald” by acquiring the majority in the companies Vivaro GmbH & Co. Grundbesitz KG and Vivaro GmbH & Co. Zweite Grundbesitz KG. The development projects have been initiated by members of the Board of Directors of Orco Germany S.A. The acquisition involves a net investment of approx. EUR 2 million on the basis of valuation report prepared by independent expert.

On May 22, 2007, the Board of Directors of Orco Germany S.A. approved the issue of 148,077 five year bonds with 63 redeemable warrants attached to each bond pursuant to the terms and conditions set forth in a prospectus issued on May 24, 2007 (the “Prospectus”). The main features of the bonds and warrants are described in note 20. The Prospectus indicated that the subscribers who did not wish to keep all the warrants which were originally upon issue attached to the bonds may sell their warrants at an average unit price of EUR 1.45 to Central European Real Estate Management S.A., (“CEREM”), a public limited liability company (“société anonyme”), incorporated under the laws of Luxembourg and a wholly-owned subsidiary of the Company. The Prospectus provided that these warrants purchased by CEREM would then be offered at a unit price of EUR 1.45 to less than one hundred managers and business partners of Orco Germany’s group. It was also provided in the Prospectus that in the event where all or part of these warrants were not purchased by these designated managers or business partners of Orco Germany’s group, the unsold warrants would be repurchased at a price of EUR 1.45 per warrant either by Orco Immobilien GmbH (“Orco Immobilien”), a private limited liability company incorporated under the laws of Germany and an Orco Germany wholly owned subsidiary or by Orco Germany S.A. itself, in order to cancel the repurchased warrants.

On May 30, 2007, 148,077 five year bonds with 63 redeemable warrants attached to each bond were issued and subscribed by investors. Shortly thereafter, in accordance with the terms and conditions of the Prospectus, CEREM purchased from investors 6,219,234 warrants for a total consideration of EUR 9,017,889 and offered to managers and business partners of Orco Germany’s group the opportunity to purchase these warrants at a price of EUR 1.45 per warrant based on an allocation proposed following a resolution of the Board of Directors of Orco Germany.

In accordance with the resolution of the Board of Directors of Orco Germany S.A. dated May 22, 2007, 1,260,000 such warrants have been offered for sale at a price of EUR 1.45 per warrant for a total consideration of EUR 1,812,500 to OTT&CO S.A. assuming OTT&CO S.A. had agreed to purchase those warrants. However, in 2009, OTT & CO SA confirmed it never agreed to complete the purchase of those warrants. On June 10, 2009, the Board of Directors of CEREM, discussing and

voting on the issue in the absence of Mr. Jean-François Ott as provided by law, concluded that, in absence of an agreement to purchase the warrants, there were insufficient legal grounds to execute the transaction. As a result the receivable on OTT&CO S.A. of EUR 1,812,500 has been cancelled in the consolidated financial statements of the Group as of December 31, 2008 and a corresponding amount has been recorded in deduction of the consolidated equity at the same date and the comparative figures for 2007 have been accordingly restated. As at June 30, 2009, the Board of Directors of CEREM was still considering the opportunity to sell the 1,260,000 warrants for a total amount of EUR 1,812,500 to Orco Immobilien GmbH or Orco Germany S.A. in accordance with the terms of the Prospectus. On December 7, 2009, the Board of Directors of CEREM approved the sale of those 1,260,000 warrants to the Company as part of an agreement on transfer of warrants and other rights and obligations which has been signed between CEREM and the Company on December 8, 2009. Those warrants have been allocated to the management as per the transaction described in (a).

Transactions with the Endurance Real Estate Fund

Orco is the sponsor and the fund manager 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”. The Group is the shareholder of the management company of the Fund and has also invested in the three sub-fund’s existing as at December 2009. The hospitality sub-fund, which was fully consolidated since December 2007, has been liquidated end of September 2008. As at December 31, 2009, the Group’s subscription to the office I, office II and residential sub-funds represent respectively 16.16%, 8.29% and 7.98% of the total subscription respectively (in 2008, 15.73%, 4.57% and 10.60% respectively).

Orco’s remuneration from the office and residential sub-funds amounting to EUR 4.2 million in 2009 (EUR 7.6 million in 2008) is linked to:

- the placement fee of a maximum of 2.5% of the committed funds of the investors
- the management fee of 2% per year calculated on the called subscriptions
- acquisition fee of 1% calculated on the value of the assets bought or sold by the fund.

As at December 2009, open invoices for unpaid management fees amounted to EUR 7.2 million (EUR 8.6 million as at December 2008). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 1.2 million revenue (EUR 2.5 million in 2008) and EUR 1.3 million expenses (EUR 1.0 million in 2008). They also resulted as at 31 December 2009 in a net payable of EUR 0.3 million (a net receivable of EUR 0.4 million as at 31 December 2008).

Transactions with other related parties

Beginning of July 2007, Orco has granted a loan of USD 15 million for a term of 6 months and an interest rate of 10% on a yearly basis. This loan has been granted to a company controlled by the management of Molcom. This loan has been repaid fully in December 2008. The purpose of this loan was to facilitate future acquisitions of plots of land in Russia.

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

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List of the fully consolidated subsidiaries

Company	Country	Ccy	Activity	% Sharehol ding 31.12.20 09	% Sharehol ding 31.12.20 08
Sportovní 1, a.s.	Czech Republic	CZ K	Develop ment	100%	100%
Ambona Kredit s.r.o. (merged in První Kvintum Praha a.s.)	Czech Republic	CZ K	Develop ment	/	100%
Americká 1, a.s.	Czech Republic	CZ K	Leasing	100%	100%
Americká 33, a.s.	Czech Republic	CZ K	Leasing	100%	100%
AMERICKÁ - ORCO, a.s.	Czech Republic	CZ K	Leasing	100%	100%
Americká Park, a.s.	Czech Republic	CZ K	Leasing	100%	100%
Anglická 26, s.r.o.	Czech Republic	CZ K	Leasing	100%	100%
Ariah Kft.	Hungary	HU F	Leasing	100%	100%
Belgická - Na Kozačce, s.r.o.	Czech Republic	CZ K	Leasing	100%	100%
Blue Yachts, d.o.o.	Croatia	HR K	Hotel	38.88%	38.88%
BRNO CENTRUM, s.r.o. (merged in MÁCHOVA - ORCO, a.s.)	Czech Republic	CZ K	Leasing	/	100%
Brno City Center a.s.	Czech Republic	CZ K	Develop ment	100%	100%
Bubenska 1 a.s.	Czech Republic	CZ K	Leasing	100%	100%
Bubny Development s.r.o.	Czech Republic	CZ K	Develop ment	100%	100%
BYTY PODKOVA, a.s.	Czech Republic	CZ K	Develop ment	75%	75%
Capellen Invest S.A.	Luxembourg	EU R	Leasing	100%	100%
Central European Real Estate Management S.A. (in Liquidation)	Luxembourg	EU R	Manage ment	100%	100%
Certuv Ostrov, a.s.	Czech Republic	CZ K	Develop ment	100%	100%
City Gate s.r.o. (sold in 2009)	Slovakia	HU R	Develop ment	/	100%
CWM 35 Kft.	Hungary	F	Leasing	100%	100%
Darilia a.s.	Czech Republic	CZ K	Develop ment	100%	/

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Development Doupovská, s.r.o.	Czech Republic	CZ	Development	100%	100%
Diana Property Sp. z.o.o.	Poland	N	Extended stay	100%	100%
Domain Sp. z.o.o. (previously Orco Strategy Sp. z.o.o.)	Poland	N	Development	/	100%
Endurance Advisory Company S.A.	Luxembourg	EU	Development	100%	100%
Endurance Hospitality Assets S.à r.l.	Luxembourg	R	Hotel	88%	88%
Endurance Hospitality Finance S.à r.l.	Luxembourg	R	Hotel	88%	88%
Endurance Real Estate Management Company S.A.	Luxembourg	EU	Management	100%	100%
Energia Jeden Sp. z.o.o. (previously Orco Idea Sp. z.o.o.)	Poland	N	Development	100%	100%
Hagibor Office Building a.s.	Czech Republic	CZ	Leasing	100%	100%
IPB Real Reality, a.s.	Czech Republic	CZ	Development	100%	100%
IPB Real, a.s.	Czech Republic	K	Development	100%	100%
IPB Real, s.r.o.	Czech Republic	CZ	Development	100%	100%
Jeremiašova Invest s.r.o.	Czech Republic	K	Leasing	100%	100%
Jihovýchodni Mesto, a.s.	Czech Republic	CZ	Development	75%	75%
Karousa Enterprises Company Limited	Cyprus	US	Development	69%	69%
Londýnská 26, a.s.(merged in Anglická 26, s.r.o.)	Czech Republic	D	Leasing	/	100%
Londýnská 39, s.r.o. (merged in Anglická 26, s.r.o.)	Czech Republic	CZ	Leasing	/	100%
Londýnská 41, s.r.o. (merged in Anglická 26, s.r.o.)	Czech Republic	K	Leasing	/	100%

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Company	Country	Ccy	Activity	% Sharehold ing 31.12.200 9	% Sharehold ing 31.12.200 8
M & Q Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
MÁCHOVA - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Mánesova 28, a.s. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Meder 36 Projekt Kft.	Hungary	HUF	Leasing	100%	100%
Megaleiar a.s.	Czech Republic	CZK	Developm ent	100%	100%
Mikhailovka o.o.o.	Russia	RU B	Developm ent	100%	100%
Mikhailovka Land o.o.o.	Russia	RU B	Developm ent	100%	100%
MMR Management, s.r.o.	Czech Republic	CZK RU	Holding	90%	90%
MOLCOM CJSC	Russia	B RU	Leasing Developm ent	69%	69%
MS-Invest o.o.o.	Russia	B	ent	69%	69%
Na Poříčí a.s.	Czech Republic	CZK	Leasing	100%	100%
Nad Petruskou, s.r.o.	Czech Republic	CZK	Leasing Developm ent	100%	100%
NOVÉ MEDLÁNKY a.s.	Czech Republic	CZK	ent	100%	100%
Nupaky a.s.	Czech Republic	CZK	Developm ent	100%	100%
N W D C Company spol. s.r.o. (sold in 2009)	Czech Republic	CZK	Developm ent	/	51%
Oak Mill, a.s.	Czech Republic	CZK	Developm ent	100%	100%
Obonjan Rivijera d.d.	Croatia	HR K	Developm ent	50%	50%
Office II Invest S.A.	Luxembour g Czech Republic	EUR	Holding Developm ent	50.32%	50.32%
Onset, a.s.	Czech Republic	CZK HR	ent Developm ent	100%	100%
Orco Adriatic d.o.o.	Croatia	K	ent	100%	100%
Orco Blumentalska a.s. (previously ORCO Project, s.r.o.)	Slovakia	EUR	Developm ent	100%	100%
Orco Budapest Zrt.	Hungary	HUF	Leasing	100%	100%
Orco Commercial Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%

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Orco Construction Sp. z.o.o.	Poland	PLN	Developm ent	75%	75%
Orco Development Kft.	Hungary	HUF	Developm ent	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Developm ent	75%	75%
ORCO Development, s.r.o.	Slovakia	EUR	Developm ent	100%	100%
ORCO Enterprise Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
ORCO Estate Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Developm ent	100%	100%
ORCO Estates, s.r.o.	Slovakia Czech	EUR	Developm ent	100%	100%
Orco Financial Services s.r.o.	Republic	CZK	Holding	100%	100%
Orco Hungary Kft.	Hungary	HUF	Leasing	100%	100%
Orco Investment Kft. (sold in 2009)	Hungary	HUF	Leasing	/	100%
ORCO INVESTMENT, a.s.	Czech Republic	CZK	Developm ent	100%	100%
Orco Logistic Sp. z o.o.	Poland	PLN	Developm ent	100%	100%
Orco Poland Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
ORCO Praga s.r.o.	Czech Republic	CZK	Developm ent	75%	75%
ORCO Prague, a.s.	Czech Republic	CZK	Developm ent	100%	100%
Orco Project Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
ORCO Property Management, a.s. (sold in 2009)	Czech Republic	CZK	Leasing	/	100%

Company	Country	Ccy	Activity	% Sharehold ing 31.12.200 9	% Sharehold ing 31.12.200 8
Orco Property Sp. z.o.o.	Poland	PLN	Developm ent	75%	75%
Orco Razvoj d.d.	Croatia	HR K	Developm ent	100%	100%
ORCO Residence, s.r.o.	Slovakia	EUR	Developm ent	100%	100%
Orco Residential Sp. z.o.o.	Poland	PLN	Developm ent	100%	100%
Orco Russian Retail S.A. (previously Orco	Luxembour	EUR	Leasing	100%	100%

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Capitol S.A.)	g				
ORCO Slovakia, s.r.o.	Slovakia	EUR	Development	100%	100%
Orco Vagyonkezelő Kft.	Hungary	HUF	Development	100%	100%
ORCO Vinohrady, a.s. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Orco Vision Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco-Molcom B.V.	Netherlands	EUR	Development	69%	69%
Orco Molcom o.o.o.	Russia	RU	Development	69%	69%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Palito, a.s. (merged in Bubny Development s.r.o.)	Czech Republic	CZK	Development	/	100%
Private Security Enterprise "MOLCOM" CJSC	Russia	RU	Leasing	69%	69%
První Kvintum Praha a.s.	Czech Republic	CZK	Development	100%	100%
RESIDENCE MASARYK, a.s.	Czech Republic	CZK	Leasing	100%	100%
Seattle, s.r.o.	Czech Republic	CZK	Development	100%	100%
Stein, s.r.o.	Slovakia	EUR	Development	100%	100%
SUNČANI HVAR d.d.	Croatia	K	Hotel	55.55%	55.55%
Theonia Entreprises Company Ltd	Cyprus	USD	Development	100%	100%
TO Green Europe, a.s.	Czech Republic	CZK	Development	100%	100%
TQE Asset, a.s.	Czech Republic	CZK	Leasing	100%	100%
VINOHRADY S.à r.l.	France	EUR	Holding	100%	100%
Viterra Development Ceska, s.r.o.	Czech Republic	CZK	Development	100%	100%
Viterra Development Polska Sp. z.o.o.	Poland	PLN	Development	100%	100%
Yuli Kft.	Hungary	HUF	Leasing	100%	100%
Záhřebská 35, s.r.o.	Czech Republic	CZK	Leasing	100%	100%

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Orco Germany S.A.

Luxembourg EUR Leasing 58.10% 56.79%

Hereafter follows the list of Orco Germany S.A.'s direct and indirect subsidiaries, showing the percentage of shareholding of Orco Germany S.A in them:

An den Gärten GmbH	Germany	EUR	Development	100%	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.8%	94.8%
Cybernetyki Business Park Sp. z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	100%
Endurance HC Alpha S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Epsilon S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC FF&E S.à r.l. (formerly Endurance HC Iota S.à r.l.)	Luxembourg	EUR	Development	100%	/
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	100%
GSG 1. Beteiligungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	99.75%	99.75%
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	99.75%
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	94.99%
Lora Grundbesitz GmbH	Germany	EUR	Leasing	100%	100%
Orco Berlin Invest GmbH	Germany	EUR	Development	100%	100%
Orco Erste VV GmbH	Germany	EUR	Development	100%	/
Orco Germany Investment S.A. Orco-GSG	Luxembourg	EUR	Holding	100%	100%
Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Leasing	99.75%	/
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100%	100%
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH	Germany	EUR	Development	100%	100%
Orco Projekt 103 GmbH	Germany	EUR	Leasing	100%	100%
ORCO Projektentwicklung GmbH (previously Viterra Development GmbH)	Germany	EUR	Development	100%	100%
Orco Vermietungs- und Services GmbH	Germany	EUR	Development	100%	100%
Viterra PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH	Germany	EUR	Development	94.8%	94.8%
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%

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Stauffenbergstr. Drei GmbH	Germany	EUR	Development	100%	100%
Tucholskystr.39/41 GmbH & Co. Grundbesitz KG	Germany	EUR	Leasing	100%	100%
Viterra Baupartner GmbH	Germany	EUR	Development	100%	100%
Viterra Erste PEG mbH	Germany	EUR	Development	100%	100%
Viterra Zweite PEG mbH	Germany	EUR	Development	100%	100%
Viterra Fünfte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100%	100%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100%	100%
Westendstr. 28 Ffm GmbH	Germany	EUR	Development	94%	94%
TSM Berlin GmbH	Germany	EUR	Leasing	100%	/

List of the joint-ventures

33.1 Kasic S.à.r.l.

The Group has a 50% interest in Kasic S.à.r.l., a Luxembourg based holding company which in turn holds 100% of the 3 operational companies. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	-	-
Current assets	983	13
Assets	983	13
Non-current liabilities	61	-
Current liabilities	510	170
Liabilities	571	170
Income	285	156
Expenses	-416	-220
Profit after income tax	-131	-64

33.2 Kasic Development s.r.o.

The Group has a 50% interest in a joint venture, Kasic Development s.r.o., corresponding to the project's phase I in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

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	31 December 2009	31 December 2008
Non-current assets	3	417
Current assets	912	4,255
Assets	915	4,672
Non-current liabilities	31	-
Current liabilities	157	122
Liabilities	188	122
Income	475	1,047
Expenses	-603	-677
Profit after income tax	-128	370

33.3 SV Faze II s.r.o.

The Group has a 50% interest in a joint venture, SV Faze II s.r.o., corresponding to the project's phase II in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	15	16
Current assets	14,880	9,302
Assets	14,895	9,318
Non-current liabilities	4,458	347
Current liabilities	4,549	2,947
Liabilities	9,008	3,294
Income	7,089	83
Expenses	-6,755	-398
Profit after income tax	334	-315

33.4 Slunecny Vrsek III s.r.o.

The Group has a 50% interest in a joint venture, Slunecny Vrsek III s.r.o, corresponding to the project's phase III in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	68	40
Current assets	2,158	10,082
Assets	2,226	10,122
Non-current liabilities	-	635
Current liabilities	212	6,827
Liabilities	212	7,462
Income	3,880	4,085
Expenses	-3,457	-3,812
Profit after income tax	423	273

33.5 PEG Knorrstrasse 119 GmbH & Co. KG

The Group has a 29.05% interest in a joint venture, PEG Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the Group's 29.05% share (28.40% in 2008) of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	31 December 2009	31 December 2008
Non-current assets	-	-
Current assets	4,238	3,956
Assets	4,238	3,956
Non-current liabilities	-	-
Current liabilities	4,201	3,898
Liabilities	4,201	3,898
Income	-	64
Expenses	-23	-106
Profit after income tax	-23	-42

33.6 Hospitality

In 2007, Endurance Hospitality Assets S.à r.l. and AIG entered into a joint venture agreement by which Hospitality Invest S.à r.l. will be controlled equally by both parties. AIG's initial investment in the joint venture amounted to EUR 50 million.

ORCO has sold its hotel portfolio in Central Europe, with the notable exception of the trophy asset Pachtuv Palace and excluding the Suncani Hvar's stake. The new joint venture is to focus on the hospitality business. Therefore it has been decided to transfer to that joint venture at least the following hotels and residences as well as all the assets and liabilities relating to their management and operations: Riverside, Imperial, Marriott, Sulekova, Pokrovka, Le Regina, Diana, Vienna, Starlight, Residence Belgicka, Izabella and Andrassy.

The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	31 December 2009	31 December 2008
Non-current assets	57,100	64,519
Current assets	5,061	6,292
Assets	62,161	70,811
Non-current liabilities	44,254	62,653
Current liabilities	4,490	4,623
Liabilities	48,744	67,276
Income	31,502	21,506
Expenses	-26,201	-38,108
Profit after income tax	5,302	-16,602

Events after balance sheet date

On 10 March 2010, the Paris Commercial Court decided to extend the observation period for the Procedure de Sauvegarde of ORCO Property Group S.A and its subsidiary Vinohrady S.A.R.L. by 3 months until 25 June, 2010.

The Safeguard plan draft has been circulated among creditors at the end of March 2010. The Management expects a judgment on its plan and sauvegarde exit by the end of June 2010.

On 24 March 2010, a group of shareholders holding 10.09% of the ORCO Property Group's shares and voting rights asked the OPG Board of Directors to convene an Extraordinary General assembly before the end of April 2010.

In February 2010, the Helberger asset, located in Frankfurt has been effectively sold for EUR 11 Million. Other assets in Germany have also been sold in first quarter of 2010 but not yet transferred (like Wasserstrasse).

The warrant 2014 general meeting held on 25 March 2010, resolved the followings amendments:

The warrants, previously exercisable until 28 March 2014 may be exercised up to the close of business on December 31, 2019.

The terms and conditions of the warrants 2014, amended on 16 December 2009 (see note 19.9), previously applicable till 15 February 2010 have been extended and applicable until 31 December 2010.

Until 31 December 2010, the warrants 2014 may be paid by remittance of bonds issued by Orco Germany S.A. at their principal amount.

7.3. Condensed consolidated interim financial statements in accordance with IFRS as at 30 June 2009

Orco Property Group's Board of Directors has approved on 26 August 2009 the condensed consolidated interim financial information as at and for the period ended 30 June 2009. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

I. Condensed consolidated interim income statement

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

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

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II Condensed consolidated interim statement of comprehensive income

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

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

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III Condensed consolidated interim balance sheet

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

Assets			
	Note	June 2009	December 2008
NON-CURRENT ASSETS		1,496,037	1,710,798
Intangible assets		50,724	57,074
Investment property	5	1,125,522	1,211,718
Property, plant and equipment		250,481	363,973
Hotels and own-occupied buildings	6	224,701	245,273
Fixtures and fittings and other equipments		16,663	19,027
Properties under development	7	9,117	99,673
Financial assets at fair value through profit or loss		60,093	70,681
Deferred tax assets		9,217	7,352
CURRENT ASSETS		625,459	753,312
Inventories	8	460,507	529,827
Trade receivables		24,021	36,962
Other current assets		66,541	95,436
Derivative instruments		5,823	5,098
Current financial assets		1,754	2,190
Cash and cash equivalents	10	66,813	83,799
Assets held for sale	9	21,380	-
TOTAL		2,142,876	2,464,110
Equity and liabilities			
		June 2009	December 2008
EQUITY		154,487	420,874
Equity attributable to owners of the Company		97,619	304,633
Minority interests	11	56,868	116,241 (1)
LIABILITIES		1,988,389	2,043,236
Non-current liabilities		1,201,785	1,468,366
Bonds	12	442,826	429,437
Financial debts	12	626,340	826,483
Provisions & other long term liabilities		16,966	29,625
Derivative instruments		15,735	14,917
Deferred tax liabilities		99,918	167,904
Current liabilities		775,889	574,870
Financial debt	12	522,040	309,836
Trade payables		50,531	59,577
Advance payments		49,995	61,120
Derivative instruments		42,159	38,382
Other current liabilities		111,164	105,955 (1)
Liabilities held for sale	9	10,715	-
TOTAL		2,142,876	2,464,110

(1) See
Note 2.1.2

for adjustments on comparatives

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IV Condensed consolidated interim statement of changes in equity

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

	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Minority interests	Equity
Balance at 1 January 2008	44,431	395,762	28,498	-15,158	280,667	734,200	203,823	938,023
Gains/(losses) for the period :								
Translation differences			30,738			30,738	638	31,376
Profit/(loss) of the period					-14,114	-14,114	9,236	-4,878
Dividends relating to 2007					-14,892	-14,892	-341	-15,233
Capital increase	439	4,762			-337	4,864	1,254	6,118
Own equity instruments				-5,089	-337	-5,426		-5,426
Minority interests' transactions					-15,827	-15,827	9,300	-6,527
Balance at 30 June 2008	44,870	400,524	59,236	-20,247	235,160	719,543	223,910	943,453
Gains/(losses) for the period :								
Translation differences			-40,597			-40,597	-4,311	-44,908
Profit/(loss) of the period					-376,446	-376,446	-82,494	-458,940
Capital increase							-19	-19
Own equity instruments				-72	-713	-785		-785
Minority interests' transactions					2,918	2,918	-20,845	-17,927
Balance at 31 December 2008	44,870	400,524	18,639	-20,319	-139,081	304,633	116,241	420,874
Gains/(losses) for the period :								
Translation differences			-6,777			-6,777	-1,270	-8,047
Profit/(loss) of the period					-199,857	-199,857	-57,533	-257,390
Own equity instruments				-380		-380		-380
Minority interests' transactions							-570	-570
Balance at 30 June 2009	44,870	400,524	11,862	-20,699	-338,938	97,619	56,868	154,487

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V. Condensed consolidated interim cash flow statement

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

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

Selected notes to the condensed consolidated interim financial information

1. General information

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

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

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

These condensed consolidated interim financial information have been approved for issue by the Board of Directors on 26 August 2009.

2. Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2009 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2008, which have been prepared in accordance with IFRS as adopted by the European Union.

2.1.1. Going concern

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

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

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

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

- A calendar has been set in order to achieve a vote of the Group creditors on the Safeguard plan before the end of the observation period ending on the 25th September, 2009. A repayment schedule has been sent to the main suppliers on which they are invited to vote beginning of September 2009. Bilateral discussions are ongoing with bondholders in order to determine the restructuring to be proposed in the "plan de sauvegarde" to be sent beginning of September 2009 and proposed to their vote before September 25th, 2009. If the plan is not approved by the main suppliers or bondholders, the possible outcome is a court decision of the "Tribunal de commerce de Paris" on the term out of the debts with a repayment schedule over a maximum period of 10 years depending on the Group business plan and cash flows as established by the Board of Directors and the "Administrateur Judiciaire". In its restructuring plan the Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring cannot be achieved in the short or medium term . Some of these assets or activities have already been sold as at June 2009 and particularly the property management activities, the residential Project Fehrbelliner Hofe in Berlin and the residential project City Gate in Bratislava.
- Over 20% of the Group bank debt has been successfully renegotiated since the beginning of the year by either solving existing and potential covenants' breaches or extending construction credit lines repayment schedules. Negotiations are still continuing on the remaining debts with

existing or potential covenants breaches and for assets and developments where restructuring needs have been identified in the restructuring plan.

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

The Directors believe that a restructuring of its debt is probable within the “Sauvegarde” framework, that residential sales shall at least remain at a similar rhythm, and that selective asset sales will continue. However, should the implementation of the restructuring program fail, the going concern would not be assured. Thus, the condensed consolidated interim financial information would have to be amended to an extent which today cannot be estimated in respect of the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non current assets and liabilities into current assets and liabilities.

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

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

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

2.1.2 Comparatives

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

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

2.2 Accounting policies

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

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

- IAS 1 (revised), ‘Presentation of financial statements’. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the

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income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a comprehensive income. The condensed consolidated interim financial information has been prepared under the revised disclosure requirements.

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

The following amendment has been early adopted by the Group:

- IFRS 3 (amendment), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payment classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

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

- IAS 23 (amendment), 'Borrowing costs'. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.
- IFRS 2 (amendment) 'Share-based payment'.
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IFRIC 17, 'Distributions of non-cash assets to owners'.
- IFRIC 18, 'Transfers of assets from customers'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

2.3 Seasonality

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

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

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

- yield: range from 7.25% to 13.00% (6.25% to 11.0% in December 2008);
- discount rate: range from 7.0% to 12.5% (6.0% to 10.0% in December 2008);
- exit cap rate: range from 6.0% to 10.0% (5.0% to 8.5% in December 2008).

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

3. Segment reporting – business segments

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

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

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

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

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

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

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As at 30 June 2008	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	42,919	14,487	54,446	8,847	-7,457	113,242
Net gain/(loss) from fair value adjustments	-932	-	61,999	-	-	61,067
Cost of goods sold	-33,277	-	-	-	-	-33,277
Amortisation, impairments and provisions	-25,046	-1,882	-21,351	-91	-	-48,370
Other operating results	-18,277	-19,472	-31,107	-739	7,457	-62,138
Operating result	-34,613	-6,867	63,987	8,017	0	30,524
Net gain/(loss) on fair value adjustments	932	0	-61,999	0	0	-61,067
Amortisation, impairments and provisions	25,046	1,882	21,351	91	0	48,370
Correction of cost of goods sold	3,054	0	0	0	0	3,054
Net gain/(loss) on disposal of assets	-4,760	0	-5,322	0	0	-10,082
Adjusted EBITDA	-10,341	-4,985	18,017	8,108	0	10,799
Segment assets	1,137,916	284,969	1,335,778	81,044	0	2,839,708
Unallocated assets						300,926
Total assets						3,051,566
Segment liabilities	209,934	11,523	58,053	15,862	-45,200	250,172
Unallocated liabilities						2,801,396
Total liabilities						3,051,568
Cash flow elements						
Amortisation, impairments and provisions	25,046	1,882	21,351	91	0	48,370
Capital expenditure	52,745	10,154	60,856	132	0	123,887

4. Business combinations

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

5. Investment property

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

- In 2009

I) Investments / Acquisitions

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

J) Asset sales

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

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

K) Revaluation through income statement:

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

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

L) Transfers

The transfers are mainly made of the following movements:

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

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- Hradcanska (EUR 14.4 million), Pivovar Vrchlabi (EUR 5.4 million) and Logistic Park Hlubocky (EUR 4.9 million) are projects previously recognized as inventories, which are now transferred to investment properties.
- The Group is expecting to sell some investment properties, which have been transferred in assets held for sale for EUR 15.1 million.

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

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

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

• In 2008

A) Investments / Acquisitions

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

- Freehold buildings (EUR 37.0 million):

New acquisitions (EUR 12.7 million):

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

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

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

- Land bank (EUR 73.7 million):

New acquisitions (EUR 38.7 million):

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

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

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

B) Partial Sales

During the third quarter, the projects Diana Residence in Poland (EUR 4.2 million) and the Residence Belgicka in Czech Republic (EUR 3.2 million), previously owned 100% by the Group,

have been sold to Hospitality Invest Sarl, owned 50% by the Group, at the sale price of EUR 6.8 million.

C) Asset sales

During the period, the net book value ("NBV") of the assets sold represents EUR 152.7 million, with a total net loss compared to the December 2007 DTZ valuation amounting to EUR 0.5 million and composed mainly of the following disposals:

- The Lux Plaza office building has been sold to the Endurance Real Estate Fund for a sale price equivalent to the net book value amounting to EUR 31.6 million;
- The former Luxembourg Head Office building (NBV of EUR 2.3 million) has been sold at the price of EUR 2.3 million;
- Sales of apartments from the Vinohrady portfolio (NBV of EUR 45.1 million) at the sale price of EUR 46.6 million;
- The building Londynska 26 (NBV of EUR 2.6 million), at the sale price of EUR 1.9 million;
- Small Buildings in Berlin have been sold (NBV of EUR 12.3 million) at the sale price of EUR 12.6 million;
- Sales of appartments from the Americka residential buildings for a NBV of EUR 2.4 million at the sale price of 3.9 million;
- Sales of a part of the project Gethsemannstrasse (NBV of EUR 3.0 million) at the sale price of EUR 3.1 million;
- The project in Slovakia Kohal Kosice (NBV of EUR 5.8 million) has been sold at the sale price of EUR 3.9 million;
- The Revay Utca 10 project (NBV of EUR 4.2 million) in Budapest has been sold for at the sale price of EUR 3.4 million;
- The CIB Bank in Budapest (NBV of EUR 7.6 million) has been sold at the sale price of EUR 7.1 million;
- The Otrada project in Russia (NBV of EUR 35.8 million) has been sold at the sale price of EUR 35.8 million.

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

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

- In Germany, the total amount of decrease in fair value amounts to EUR -50.7 million (EUR -36.7 million on Freehold Building and EUR -14.0 million on Land Bank);
- In the Czech Republic, the total amount of decrease of fair value reaches EUR -78.1 million (EUR -38.5 million on Freehold Building and EUR -39.6 million on Land Bank);
- The decrease in fair value registered on the period, on the other countries amount to EUR 63.2 million considering the Freehold Buildings (EUR -42.4 million) and the land bank (EUR -20.8 million);

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

E) Transfers

Transfers represent 3 types of reclassifications:

- The first category relates to the reclassification of the lands or buildings, that were previously recognised as investment properties, and have been transferred as inventories in order to be sold, with or without the building permit (EUR -115.4 million).

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- From the land category, the main project transferred is the Paris Department store (EUR 7.3 million) in Budapest, which is planned to be sold;
- In the buildings category, Pivovar Vrchlabi (former brewery with 20 000 sqm of residential and commercial units), the Hradcanska project (retail and office), the Danziger Strasse project (commercial and office), the H2 Office project (office) and the City Gate project have been transferred to inventories for development after obtaining the building construction permit for a total amount of EUR 62.4 million.
- Some projects have also been transferred from the land bank category to inventories after obtaining the building permit: Benice (EUR 30.8 million), Slunecny Vrsek (EUR 4.1 million), Vavrenova (EUR 3.6 million), Nové Dvory (EUR 2.9 million), Rudna (EUR 2.7 million) and the Drawska project in Warsaw (EUR 1.6 million).
- The second category of reclassification relates to the projects, which are transferred from investment properties to construction in progress, after obtaining the building permit (EUR - 37.9 million).
 - Na Porici (EUR 17.5 million) in the Czech Republic, and the Budapest Stock Exchange (EUR 18.1 million) in Hungary, have been transferred to properties under development.
 - the Molcolm free plot of land (EUR 2.3 million) has been transferred to properties under development for the construction of a new class A warehouse.
- The third category of transfer relates to the projects previously recognised as construction in progress, which have been completed during the period and transferred into investment properties. It concerned mainly the Radio Free Europe Building transferred in Building (EUR 65.3 million).

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

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List of major investment properties:

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

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

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

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6. Hotels and own-occupied buildings

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

• In

2009

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

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

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

- Own-occupied: Molcom Logistics (EUR 6.9 million), Orco Germany's headquarters in Berlin (EUR 0.4 million) and Orco Luxembourg in Capellen (EUR 0.2 million).
- Hotels: Riverside I & II in Prague (EUR 1.0 million), Andrassy Hotel in Budapest (EUR 0.7 million), and on the Hvar Island, the following impairments have been recognized: Sirena Hotel (EUR 1.5 million), Bodul Hotel (EUR 0.1 million), and Camping Vira (EUR 0.3 million).

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

- In 2008

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

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

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

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

- Own-occupied: Molcom Logistics (EUR 34.0 million), Orco Germany's headquarters (EUR 1.7 million) in Berlin and Suncani Hvar headquarters (EUR 2.1 million).
- Hotels: Riverside I & II in Prague (EUR 5.7 million), Andrassy Hotel in Budapest (EUR 0.7 million) and Camping Vira (EUR 0.4 million) on Hvar island.

7. Properties under development – advance payments

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

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

- In 2009

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

According to the first application of the IAS 40 revised, the Group has changed its accounting policy on the properties under development. These properties are valued according to the valuation rules of the final destination of the building. Assets expected to be rented are valued at fair value and the Group carries out impairment test on the own occupied building. These projects

have been disclosed specifically this half year according to the final destination classification. Thus the only remaining project of this category is the Molcom Warehouse in construction.

The transfers relate mainly to two reclassifications in Investment Property:

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

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

- In 2008

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

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

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

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

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

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

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

8. Inventories

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

Inventories properties are developed with the intention to resell.

• In 2009

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

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

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

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

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

- Dusseldorf Sky Office: EUR -26.7 million;
- Zlota: EUR -6.9 million;
- Duisburg: EUR -6.0 million;
- Slunecnyvrsek, Kotic: EUR -5.0 million;
- Benice 1: EUR -4.1 million;

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- Benice 2 – 5: EUR -3.3 million;
- Nove Dvory: EUR -2.5 million;
- Koliba: EUR -2.7 million;
- Radishevskaya: EUR -3.3 million;
- Malborska: EUR -1.5 million;
- Mokotovska: EUR -2.2 million;
- Paris Department Store: EUR -8.9 million;
- Vavrenova: EUR -2.8 million;
- Vysocany Gate: EUR -2.1 million;
- Danziger Strasse 73 – 77: EUR -1.8 million;
- Rudna 3: EUR -0.8 million;
- Hamburg Laemmersieth: EUR -0.5 million.

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

• **In 2008**

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

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

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

Additional impairments have been recognised mainly on the following properties:

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

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

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

9. Assets and liabilities held for sale

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

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

10. Cash and cash equivalents

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

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

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

11. Minority interests transactions

• 2009

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

• 2008

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

12. Borrowings

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

12.1 Non-current bonds

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

- In 2009**

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

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

- In 2008**

No bonds have been issued in 2008.

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

12.2 Non-current loans

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

- In 2009**

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

- further drawdowns for the construction of the Sky Office tower, Bernauer Straße and H2 Office in Germany (respectively EUR 24.3 million, EUR 6.6 million and EUR 5.9 million);
- further drawdowns for the construction of Na Porici in the Czech Republic (EUR 4.9 million);
- new financing for the projects Neuenkirchener Straße 85 and Tschaikowskistraße 33 in Germany (respectively EUR 4.9 million and EUR 4.4 million).

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

- repayment of loans linked to the sales of some assets in Germany, among which Zionkirchstraße 71, Kollwitzstraße 71, Boxhagener Straße 106, Breite Straße 15, Brunnenstraße 25 and John-Schehr Straße 64 for a total amount of EUR -7.6 million;
- sale of Brno Shopping Centre in the Czech Republic (EUR -2.6 million).

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

- breaches on financial covenants for the bank loans financing the Hospitality joint-venture (EUR -26.7 million) and the projects in Hungary (EUR -56.8 million), in the Czech Republic (EUR -50.2 million), in Poland (EUR -44.3 million), in Croatia (EUR -32.6 million). As the repayment for these loans can be requested at first demand, the non-current part is reclassified as current. The Group is having intense negotiation with the banks in order to solve the identified breaches and prevent other breaches. For the Na Porici bank loan in the Czech Republic, amendments have been signed in July in order to solve the loan covenants' breach;
- bank loans financing Assets held for sale have been reclassified to Liabilities held for sale (EUR -10.7 million).

• In 2008

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

- further draw-downs for the construction of the Sky Office tower in Germany (EUR 46.8 million);
- refinancing of Radio Free Europe and Na Porici projects in the Czech Republic (respectively EUR 41.3 million and EUR 9.9 million);
- refinancing of Hospitality projects (EUR 34.3 million);
- refinancing of Vaci 1 (Budapest Stock Exchange) in Hungary (EUR 23.6 million);
- financing of acquisition of land plots Malborska and Przy Parku in Poland (respectively EUR 18.4 million and EUR 4.4 million).

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

- sale of the Luxembourg Plaza building (EUR -26.0 million);
- early repayments of Hospitality loans as the result of their refinancing (EUR -16.9 million);
- sale of Avenue Gardens in Hungary (EUR -11.7 million);
- repayments of loans linked to the sale of Vinhorady building portfolio (Anglicka 26, Belgicka 40, Londynska 41 and Manesova 28) for a total amount of EUR -9.9 million;

- repayment of one of the loan financing Mostecka project in the Czech Republic for EUR -6.8 million;
- repayment of some Suncani Hvar loans (EUR -3.9 million).

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

- to the reclassification of the bank loans related to for the following projects:
 - Wertheim and Wasserstraße in Germany for respectively EUR -65.6 million and EUR -7.0 million;
 - Bubny in the Czech Republic for EUR -27.9 million;
 - City Gate and Dunaj in Slovakia for respectively EUR -16.7 million and EUR -12.7 million;
 - Szervita in Hungary for EUR -10.3 million.

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

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

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

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

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

12.3 Borrowings maturity

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

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

Current

Bonds and financial debts

Floating rate bonds	11,536	-	-	-	11,536
Bank loans fixed rate	69,200	-	-	-	69,200
Bank loans floating rate	437,148	-	-	-	437,148
Others borrowings	4,156	-	-	-	4,156
Total	522,040	-	-	-	522,040

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

Current

Bonds and financial debts

Floating rate bonds	11,075	-	-	-	11,075
Bank loans fixed rate	13,658	-	-	-	13,658
Bank loans floating rate	279,504	-	-	-	279,504
Others borrowings	5,599	-	-	-	5,599
Total	309,836	-	-	-	309,836

- **In 2009**

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

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

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

- **In 2008**

The increase in current floating rate bank loans is due to the transfer of Wertheim, Bubny and City Gate bank loans from long term to short term debt for respectively EUR 65.6 million, EUR 27.9 million and EUR 16.7 million.

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

The Group has entered into interest rate derivatives representing 72.8% of the non-current floating rate borrowings (70.1% in 2007) and 51.3% of the current floating rate borrowings (43.7% in 2007), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows.

12.4 Undrawn bank credit facilities

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

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

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

13. Other net financial results

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

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

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

14. Income Taxes

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

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15. *Earnings per share*

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

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

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

16. *Gain on disposal of assets*

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

17. *Related party transactions*

- Transactions with key management personnel

(a) Loans and advances with key management personnel

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

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

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

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

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

(b) Other transactions with key management personnel

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

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

(c) Transaction with other related parties:

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

18. Events after balance sheet date

No relevant event occurred after balance sheet date.

7.4. Audited consolidated financial statements in accordance with IFRS as of and for the year ended 31 December 2008



Independent Auditor's report

To the Shareholders of
Orco Property Group S.A.

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Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orco Property Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Director's responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Orco Property Group S.A. and its subsidiaries as of December 31, 2008, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.1 to the consolidated financial statements which indicates that the Group has substantial outstanding debts service obligation and capital requirements. In addition, the Group has experienced significant losses during the year ended December 31, 2008 and the operations of the Group have been significantly affected, and will continue to be affected for the foreseeable future, by the volatility in real estate market. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In the event that some actions contemplated by the management are not successful, Orco Property Group S.A.'s ability to continue as a going concern would not be assured. The consolidated financial statements would have to be prepared on a break-up basis of accounting having impacts on the valuation and on the classification of assets and liabilities, the amounts of which cannot be measured at present.

Report on other legal and regulatory requirements

The annual management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

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

Luxembourg, June 10, 2009

A handwritten signature in dark ink, appearing to read 'M. Minet', is written over a circular stamp.

Marc Minet

ORCO PROPERTY GROUP
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Orco Property Group's Board of Directors has approved on 8 June 2009 the consolidated financial statements for 2008. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

I. Consolidated income statement

The accompanying notes form an integral part of these consolidated financial statements.

	Note	December 2008	December 2007*
Revenue	5	299,926	299,229
Net gain/(loss) from fair value adjustments on investment property	5, 8	-216,951	147,376
Other operating income		6,195	3,728
Net gain/(loss) on disposal of assets		-1,060	27,150
Cost of goods sold		-127,762	-147,833
Employee benefits		-59,342	-58,198
Amortisation, impairments and provisions		-188,517	-17,027
Other operating expenses	22	-99,260	-77,321
Operating result		-386,771	177,104
Interest expenses	19	-74,719	-66,345
Interest income	19	10,110	8,911
Foreign exchange result	23	-21,194	-5,662
Other net financial results	24	-41,839	-10,763
Financial result		-127,642	-73,859
Profit/(loss) before income taxes		-514,413	103,245
Income taxes	25	50,595	-2,341
Net profit/(loss)		-463,818	100,904
Attributable to minority interests		-73,258	13,396
Attributable to the Group		-390,560	87,508
Basic earnings in EUR per share	26	-36.94	9.15
Diluted earnings in EUR per share	26	-36.94	8.53

*See Note 2.1. for adjustments on comparatives

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II. Consolidated balance sheet

The accompanying notes form an integral part of these consolidated financial statements.

Assets			
	Note	December 2008	December 2007*
NON-CURRENT ASSETS		1,710,798	2,147,468
Intangible assets	7	57,074	67,016
Investment property	8	1,211,718	1,564,947
Property, plant and equipment		363,973	419,575
Hotels and own-occupied buildings	9	245,273	294,170
Fixtures and fittings and other equipments	10	19,027	21,036
Properties under development	11	99,673	104,369
Financial assets at fair value through profit or loss	12, 14	70,681	82,182
Deferred tax assets	25	7,352	13,748
CURRENT ASSETS		753,312	793,983
Inventories	13	529,827	323,699
Trade receivables	14	36,962	64,891
Other receivables	14	95,436	113,798
Derivative instruments	19	5,098	22,396
Current financial assets	14, 16	2,190	11,222
Cash and cash equivalents	14, 17	83,799	257,977
TOTAL		2,464,110	2,941,451

Equity and liabilities			
	Note	December 2008	December 2007*
EQUITY		425,851	938,023
Equity Holders		304,633	734,200
Minority interests		121,218	203,823
LIABILITIES		2,038,259	2,003,428
Non-current liabilities		1,468,366	1,587,783
Bonds	19	429,437	472,812
Financial debts	19	826,483	831,724
Provisions & other long term liabilities	20	29,625	18,154
Derivative instruments	19	14,917	21,153
Deferred tax liabilities	25	167,904	243,940
Current liabilities		569,893	415,645
Financial debts	19	309,836	175,216
Trade payables	21	59,518	50,220
Advance payments	21	61,120	101,678
Derivative instruments	19	38,382	4,872
Other current liabilities		101,037	83,659
TOTAL		2,464,110	2,941,451

*See Note 2.1. for adjustments on comparatives

ORCO PROPERTY GROUP
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III. Consolidated statement of changes in equity

The accompanying notes form an integral part of these consolidated financial statements.

	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves*	Equity holders	Minority interests	Equity
Balance at 1 January 2007	34,398	197,552	19,613	0	202,669	454,232	64,193	518,425
Gains/(losses) for the period :								
Translation differences			8,885			8,885	29	8,914
Profit/(loss) of the period					87,508	87,508	13,396	100,904
Dividends relating to 2006					-8,647	-8,647	-161	-8,808
Capital increase	10,033	198,210			-12,026	196,217		196,217
Equity derivative instruments *					9,162	9,162	487	9,649
Stock option plan	27				1,514	1,514		1,514
Treasury shares	27			-15,158	319	-14,839		-14,839
Minority interests' transactions	18				168	168	125,879	126,047
Balance at 31 December 2007	44,431	395,762	28,498	-15,158	280,667	734,200	203,823	938,023
Gains/(losses) for the period :								
Translation differences			-9,859			-9,859	-3,673	-13,532
Profit/(loss) of the period					-390,560	-390,560	-73,258	-463,818
Dividends relating to 2007					-14,892	-14,892	-341	-15,233
Capital increase	27	439	4,762		-337	4,864	1,235	6,099
Own equity instruments	27			-5,161	-1,050	-6,211		-6,211
Minority interests' transactions	18				-12,909	-12,909	-6,568	-19,477
Balance at 31 December 2008	44,870	400,524	18,639	-20,319	-139,081	304,633	121,218	425,851

*See Note 2.1. for adjustments on comparatives

IV. Consolidated cash flow statement

The accompanying notes form an integral part of these consolidated financial statements.

	December 2008	December 2007
Operating result	-386,771	177,104
Net gain/(loss) from fair value adjustments	216,951	-147,376
Amortisation, impairments & provisions	188,517	17,027
Gains/(losses) on disposal of investments	1,060	-27,150
Stock options plans	-	1,514
Adjusted operating profit/(loss)	19,757	21,119
Financial result	26	6,258
Income tax paid	-17,896	-6,118
Financial result and income taxes paid	-17,870	140
Changes in operating assets and liabilities	-84,324	-10,929
NET CASH FROM OPERATING ACTIVITIES	-82,437	10,330
Acquisition of subsidiaries, net of cash acquired	-	-329,372
Capital expenditures and tangible assets acquisitions	-206,950	-505,745
Proceeds from sales of non current tangible assets	133,594	36,870
Purchase of intangible assets	-1,648	-313
Purchase of financial assets	-21,131	-56,990
Proceeds from sale of held for sale activities	-	42,919
Net interest paid	-70,961	-46,291
NET CASH USED IN INVESTING ACTIVITIES	-167,096	-858,922
Net issue of equity instruments from shareholders	40	201,848
Net issue of equity instruments from minority	-	80,666
Proceeds from borrowings	324,053	851,675
Repayments of borrowings	-233,519	-118,839
Dividend paid to company's shareholders	-14,892	-8,647
NET CASH FROM FINANCING ACTIVITIES	75,682	1,006,703
NET INCREASE IN CASH	-173,851	158,111
Cash and cash equivalents at the beginning of the period	257,977	98,344
Exchange difference on cash	-327	1,522
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	83,799	257,977

Notes to the consolidated financial statements

General information

Orco Property Group, société anonyme (“the Company”) and its subsidiaries (together the “Group”) is a real estate group with a major portfolio in Central and Eastern Europe. It is principally involved in leasing out investment property under operating leases as well as in asset management, in operating hotels and extended stay hotels and is also very active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business. During 2008, the Group has substantially focused on consolidating its property portfolio and getting the zoning and building permits for its development portfolio.

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 8 June 2009.

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation – Going concern

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union.

2.1.1 Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group’s financial risks including foreign exchange risk, fair value and cash flow interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3.

2.1.1.1 2008 results

In the year ended December 31, 2008, the Group has made a loss of EUR 463,8 million (EUR 390,6 million attributable to the Group) and has a net cash outflow from operating activities of EUR 82,4 million. The loss for the current year has caused the Group to breach some of its banking and bond covenants, which mean that some bank loans became repayable on demand. The total amount of debts to be reimbursed in 2009 amounts to EUR 309.9 Million (See note 21 for liquidity risk). Negotiations have been concluded or are currently undertaken in order to either postpone by 12 to 18 months the loans and bonds payment of interests and repayment of principal or increase the construction credit lines allowing the finalization of the development.

2.1.1.2 “Procédure de Sauvegarde”

Orco Property Group’s Board of Directors has decided to apply for the Company to benefit from a Court Protection from creditors (“Procédure de Sauvegarde”). A Court Hearing was held on 25 March 2009 with the Paris Commercial Court (“Tribunal de Commerce de Paris”). On the same day, the Court rendered a judgement opening the “Procédure de Sauvegarde” (the “Sauvegarde”) for Orco Property Group S.A., the Group’s parent company, and Vinohrady SARL, a French subsidiary, for a renewable six months period. During the Sauvegarde period, all the liabilities prior to the judgement pronouncement are frozen. This means that, except for a Court decision to early terminate the Sauvegarde, interests on debts and bonds continue to be accrued based on contractual arrangements but the Company is exempted to repay any liabilities until the end of the Sauvegarde. The loans granted to entities of the Group or bonds issued includes various covenants (refer to notes 3.2 and 19 for further details on covenants). Some of the bonds or loans are repayable on demand in case of liquidation or insolvency procedure of the issuer or of the guarantor. Having reviewed the bank and bond loan agreements, the management is in the opinion that the covenants referring to insolvency

procedures cannot be applied or extended to the safeguard procedure opened for Orco Property Group S.A.

Backed by the Sauvegarde procedure, the management of the Company will have additional time to restore the Group's financial health and to advance in the discussions which have already started with the Group's financial partners. Within the framework of this procedure, the Group has taken a full range of measures which coupled with the expected positive impact of the many projects underway, should, in the opinion of the management, allow the Group to emerge from economic crisis. Refer to note 33.2 for further details on the Sauvegarde.

2.1.1.3 Restructuring plan currently being prepared by the management

The Sauvegarde procedure provides a legal time frame for the implementation of the restructuring plan of the Group that enables the Company to accelerate its transition to a 'new Orco':

simplified and streamlined in terms of business and geographical presence

integrated in terms of ownership and control of its subsidiaries

centered on a cash flow sustainable Orco Property Group S.A.

with a lighter, adapted cost-structure

deleveraged by the restructuring of its bond and bank debts

preserving the potential of its development pipeline

Faced with liquidity issues that may put at risk the integrity and value of its portfolio, the management team is implementing the first phase of a restructuring plan focused on cash generation, restoring of the global loan to value ratio at an affordable level and preservation for its mother company Orco Property Group S.A.. Therefore, the necessary actions aiming at returning to profit are implemented. The actions include: selling non core businesses, renegotiation of existing bank loans, restructuring of the issued bond debts, improving margins through a cost reduction programme (reduction of opex and capex), ...

Together with Grant Thornton (who supported to Management to analyse locally the assumptions of the business plan on the basis of the project balances and current trading, the collection and the consolidation of the cash flow forecasts for all the Group activities except the ones located in Russia and in Croatia), the Group has prepared a cash flow forecast plan which should help the management to implement a recovery plan with the objective to finance its cash needs. The Directors are confident that the actions taken will result in a return to profit.

The Board of Directors and the executive management are currently discussing with all its joint venture and investment partners in order to restore the liquidity of its financial assets. The objective is to have the loans granted either to these joint ventures either repaid in cash or converted in equity. Furthermore as specified in note 33.3 solutions where the equity of the Group can be increased by injection of fresh cash are also studied.

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

The Group's status as a going concern depends mainly and directly on the preparation and approval of the "Plan de Sauvegarde" by the "Tribunal de Commerce de Paris", the absence of any legal action aimed at blocking the "Procédure de Sauvegarde", the successful achievement of an operating and financing restructuring plan and the disposal plan of non strategic assets, the nature and impact of which cannot be measured at this stage. The central purpose of the procedure being the bank and bond debt renegotiation, it is in this area that the main uncertainties are concentrated:

The Group is currently developing its debt restructuring plan. A group of assets and projects have been identified where the existing structure of the bank debt financing level and structure could endanger the going concern of that specific asset and project. It is not clear yet what the implication on the valuation of those assets and projects would be if the Group would not be successful in the negotiations.

The Group is currently developing its bond restructuring plan. In order to succeed and being enforceable to all bondholders, this plan has to be approved by two third of the bondholders. Would no agreement being reached at the end of the last safeguard period, the judge (on the basis of the cash flows of the Group) has the unilateral power to impose a new repayment schedule to the bondholders.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Central Europe can damage the Group's activity and especially can significantly slow down the asset sales program as financings are hardly available for institutional acquisitions (see note 4.1 A Critical accounting estimates and assumptions - Estimate of fair value of investment properties). In 2008, the Group sold for EUR 188 Million of assets. The net cash booked by the Group with regards to this sale amounts to € 100 Million. Till January 09, the Group sold for EUR 57.3 Million of assets (see note 33 events after balance sheet date).

2.1.1.5 Conclusion

If the implementation of the restructuring program (sale of assets and renegotiation of debts) was to fail, the going concern would not be assured. Thus, the consolidated financial statements would have to be amended to an extent which today cannot be estimated in respect of the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non current assets and liabilities into current assets and liabilities.

Considering the situation described above, the Directors have concluded that the current circumstances represent a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern. However, after considering the actions described above and after making appropriate enquiries, the Directors are of the opinion that there is a reasonable expectation that the Group can continue its operations in the foreseeable future and, accordingly, have formed a judgement that it is appropriate to prepare consolidated financial statements upon a going concern basis.

2.1.2 Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.3 Functional and presentation currency

The consolidated financial statements are presented in thousands of euros, which is the Company's functional and Group's presentation currency, and have been prepared under the historical cost convention except that investment property is carried at fair value and financial assets or financial liabilities (including derivative instruments) at fair value through income statement.

2.1.4 Changes in accounting policies

The accounting policies have been consistently applied by Group's entities and are consistent with those used in the previous year except for the application of the revised and new standards and interpretations effective as from 1 January 2008 described below. The application of those amendments and interpretations did not result in substantial changes to the Group's accounting policies:

- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Group's operations:

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' and IFRS 7, 'Financial instruments: Disclosures' on the 'Reclassification of financial assets' (effective from 1 July 2008). This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances.

Various disclosures are required where a reclassification has been made. Derivatives and assets designated as 'at fair value through profit or loss' under the fair value option are not eligible for this reclassification.

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services.

- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them. Some of those standards, amendments and interpretations have not yet been endorsed by EU:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amendment) retrospectively from 1 January 2009 but is currently not applicable to the Group as there are no qualifying assets.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are

service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009, but is not expected to have any impact on the Group's financial statements.

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' - 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009, but is not expected to have any impact on the Group's financial statements.

- IFRS 1 (Amendment) 'First time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment will not have any impact on the Group's financial statements.

- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendments to IAS 7 'Statement of cash flows') (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held-for-sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The Group will apply IAS 16 (Amendment) from 1 January 2009. Management is currently assessing the impact of this amendment.

- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is,

therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Group will apply IAS 40 (Amendment) from 1 January 2009. Management is currently assessing the impact of this amendment.

- There are a number of minor amendments that are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Group's financial statements and have therefore not been analysed in detail: IFRS 7, 'Financial instruments: Disclosures'; IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'); IAS 1 (Amendment), 'Presentation of financial statements'; IAS 8, 'Accounting policies, changes in accounting estimates and errors'; IAS 10, 'Events after the reporting period'; IAS 18, 'Revenue'; IAS 19 (Amendment), 'Employee benefits'; IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'; IAS 23 (Amendment), 'Borrowing costs'; IAS 27 (Revised), 'Consolidated and separate financial statements'; IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'); IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'; IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'); IAS 34, 'Interim financial reporting'; IAS 36 (Amendment), 'Impairment of assets'; IAS 38 (Amendment), 'Intangible assets'; IAS 39 (Amendment), 'Financial instruments: Recognition and measurement'; IAS 41 (Amendment), 'Agriculture' (all effective 1 January 2009).

- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009). This interpretation clarifies which standard (IAS 18 'Revenue' or IAS 11 'Construction contracts') should be applied to particular transactions and is likely to mean that IAS 18 will be applied to a wider range of transactions. Entities that have previously recognised revenue from residential real estate sales under IAS 11 will be the most significantly affected and will probably be required to apply IAS 18. Management does not anticipate that this will result in any material impact on the financial statements.

- IFRIC 17, 'Distributions of non-cash assets to owners' (effective 1 July 2009). This interpretation clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. The interpretation states that 1) a dividend payable should be recognised when appropriately authorised, 2) it should be measured at the fair value of the net assets to be distributed, and 3) the difference between the fair value of the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss. Management does not anticipate that this will result in any material impact on the financial statements.

2.1.5 Comparatives

2007 comparatives for Operating expenses and Cost of goods sold have been reclassified following the change in presentation from Cost of sales to Cost of goods sold. The Operating expenses in 2007 have been increased by EUR 21.1 million and the Cost of sales has been decreased by EUR 21.1 million and renamed Cost of goods sold. Cost of goods sold includes changes in inventories and construction costs of the inventories sold during the period.

2007 comparatives for Other receivables and equity have been reclassified as explained in note 30 (other transactions with key management personnel). Accordingly, the receivable on Ott & Co of EUR 1 812 500 has been cancelled and a corresponding amount has been recorded in deduction of the consolidated equity.

On May 22, 2007, the Board of Directors of the Orco Germany S.A. approved the issue of 148,077 five year bonds with 63 redeemable warrants attached to each bond pursuant to the terms and conditions set forth in a prospectus issued on May 24, 2007 (the "Prospectus"). The main features of the bonds and warrants are described in note 19.11. The Prospectus indicated that the subscribers who did not wish to keep all the warrants which were originally upon issue attached to the bonds may sell

their warrants at an average unit price of EUR 1.45 to Central European Real Estate Management S.A., (“CEREM”), a public limited liability company (“société anonyme”), incorporated under the laws of Luxembourg and a wholly-owned subsidiary of the Company. The Prospectus provided that these warrants purchased by CEREM would then be offered at a unit price of EUR 1.45 to less than one hundred managers and business partners of Orco Germany’s group. It was also provided in the Prospectus that in the event where all or part of these warrants were not purchased by these designated managers or business partners of Orco Germany’s group, the unsold warrants would be repurchased at a price of EUR 1.45 per warrant either by Orco Immobilien GmbH (“Orco Immobilien”), a private limited liability company incorporated under the laws of Germany and an Orco Germany wholly owned subsidiary or by Orco Germany S.A. itself, in order to cancel the repurchased warrants.

On May 30, 2007, 148,077 five year bonds with 63 redeemable warrants attached to each bond were issued and subscribed by investors. Shortly thereafter, in accordance with the terms and conditions of the Prospectus, CEREM purchased from investors 6,219,234 warrants for a total consideration of EUR 9,017,889 and offered to managers and business partners of Orco Germany’s group the opportunity to purchase these warrants at a price of EUR 1.45 per warrant based on an allocation proposed following a resolution of the Board of Directors of Orco Germany.

In accordance with the resolution of the Board of Directors of Orco Germany S.A. dated May 22, 2007, 1,260,000 such warrants have been offered for sale at a price of EUR 1.45 per warrant for a total consideration of EUR 1,812,500 to OTT&CO S.A. assuming OTT&CO S.A. had agreed to purchase those warrants. However, in 2009, OTT & CO SA confirmed it never agreed to complete the purchase of those warrants. On June 10, 2009, the Board of Directors of CEREM, discussing and voting on the issue in the absence of Mr. Jean-François Ott as provided by law, concluded that, in absence of an agreement to purchase the warrants, there were insufficient legal grounds to execute the transaction. As a result the receivable on OTT&CO S.A. of EUR 1,812,500 has been cancelled in the consolidated financial statements of the Group as of December 31, 2008 and a corresponding amount has been recorded in deduction of the consolidated equity at the same date and the comparative figures for 2007 have been accordingly restated. The Board of Directors of CEREM is currently considering the opportunity to sell the 1,260,000 warrants for a total amount of EUR 1,812,500 to Orco Immobilien GmbH or Orco Germany S.A. in accordance with the terms of the Prospectus but not decision has been taken yet.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an

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impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with minority interests

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition.

The fair value of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking control over the entity, the interests previously held in that entity are revalued on the basis the fair values of the identifiable assets and liabilities at that date.

Subsequent purchases, after the Group has obtained control, are treated as the acquisition of shares from minority interests: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional portion of the interest acquired is recorded as goodwill.

For major disposals of minority interests, differences between any proceeds received and the relevant share of minority interest are recorded in the profit and loss account.

(c) Joint-ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint-ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint-venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint-venture that result from the Group's purchase of assets from the joint-venture until it resells the assets to an independent party. A loss on the transaction is recognised immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint-ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

The exchange rates against euro (EUR) used to establish these consolidated financial statements are as follows:

Currency Code	Currency	31 December 2008		31 December 2007	
		Average	Closing	Average	Closing
CZK	Czech Koruna	0.03993	0.03713	0.03588	0.03757
HUF	Hungarian Forint	0.00399	0.00378	0.00398	0.00395
HRK	Croatian Kuna	0.13845	0.13653	0.13627	0.13652
PLN	Polish Zloty	0.28312	0.23967	0.26467	0.27917
RUB	Russian Ruble	0.02718	0.02413	0.02851	0.02783
SKK	Slovak Koruna	0.03211	0.03319	0.02957	0.02976
USD	US Dollar	0.67907	0.71855	0.72669	0.67893

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in euro (EUR), which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on investment properties held at fair value through profit or loss are recognised in profit or loss as part of the foreign exchange result.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences arising from the translation of the net investment in foreign entities are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint-ventures is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

Negative goodwill arising on an acquisition is recognised in the income statement.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique

software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives (not exceeding three years).

(c) Trademarks

Acquired trademarks are shown at historical cost. When they have indefinite useful life, trademarks are tested annually for impairment and carried at cost less accumulated impairment losses.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, is classified as investment property.

Investment property comprises of freehold land, freehold buildings, extended stay residences, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried out at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

The pieces of land on which are located buildings under construction that will qualify as investment property at completion of the construction are from the beginning separately classified as investment property and hence recorded at fair value. This includes all plots of land held by the Group on which no construction or development has started at the balance sheet date.

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive,

the building permit granted and start of construction validated. Therefore, the transfer of the land to Property, plant and equipment or Inventories is recorded only when the building permit is granted and the start of the construction has been validated.

Hotel buildings held by the Group are not classified as Investment property but rather as Property, plant and equipment.

2.7 Property, plant and equipment

Hotels and own-occupied buildings, fixtures and fittings, properties under development are classified as property, plant and equipment.

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, starts off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

Land	Nil
Buildings	50 - 80 years
Fixtures and fittings	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

All borrowing costs are expensed except for the borrowing costs that are capitalised as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.8 Leases

(a) A Group company is the lessee

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(b) A Group company is the lessor

Operating lease

Properties leased out under operating leases are included in investment property in the balance sheet.

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.9 Impairment of non-financial assets

Intangible assets including goodwill and trademark that have an indefinite useful life are not subject to systematic amortisation and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.10 Financial assets

The Group classifies its financial assets other than derivatives in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (note 2.12) and other current assets in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in note 2.12.

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

The Group subscriptions in investment property closed end funds managed by the Group are categorised as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. They are initially recognised at fair value, and transaction costs are expensed in the income statement, and subsequently carried at fair value.

Regular purchases and sales of financial assets are recognised on the trade-date on which the Group commits to purchase or sale these assets.

2.11 Inventories

Properties that are being developed for future sale are classified as inventories at their cost or deemed cost, which is the carrying amounts at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

All borrowing costs are expensed except for the borrowing costs that are capitalised as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.12 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

The shares of the Company (Orco Property Group, société anonyme) held by the Group -Treasury shares - are measured at their acquisition cost and recognised as a deduction from equity. Gains and losses on disposal are taken directly to equity.

2.15 Borrowings

The term Borrowings covers the elements recorded under the captions Bonds and Financial debts within the non-current liabilities and the caption Bonds and financial debts within current liabilities.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion at maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognised and included in equity, net of income tax effect.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Investment property

Deferred income tax is provided on all temporary differences arising on fair value of buildings and lands held by the Group as investment properties even when they are located in special purpose entities, which are themselves, in most cases, held by a Luxembourg-based company. Generally, each special purpose entity is meant to hold one specific project. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal will be exempted from any tax (in accordance with the Grand-ducal regulation of 21 December 2001), if the Luxembourg-based company holds or commits itself to hold this stake for a minimum of a continuous 12-month period and, if, during this same period, the stake amounts to at least 10% of the affiliate's capital or the acquisition price amounts to at least EUR 6 million. The Group is confident that all special purpose entities will comply with these conditions.

2.18 Provisions and post-employment obligations

Provisions for environmental restoration, site restoration and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

The Group has entered into defined benefit plans define as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

2.19 Derivative financial instruments and hedging activities

Derivatives are initially recognised in the balance sheet at their fair value on a date a derivative contract is entered into and are subsequently remeasured at their fair value which is generally the market value. Derivatives are presented at the balance sheet date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognised immediately in the income statement under other financial results.

Embedded derivatives that are not equity instruments, such as issued call options embedded in exchangeable bonds, are recognised separately in the balance sheet and changes in fair value are accounted for through the income statement.

2.20 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognised in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognised in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The amount of inventories recognised as an expense during the period, referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has been sold during the year and unallocated production overheads.

The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Share option plans

Share options are granted to certain directors and senior employees. The options are granted at the market price on the date of the grant and are exercisable at that price.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2.23 Subscription rights and PACEO

The Group grants subscription rights to third parties as part of its financing program. Any consideration received is added directly to equity as a capital increase recorded in share capital and share premium. Changes in the fair value of those equity instruments are not recognised in the financial statements.

Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management is carried out by the Group's Chief Financial Officer (CFO) and his team under policies approved by the Board of Directors. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk (see note 15)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF) and secondarily to the US Dollar (USD), the Russian Ruble (RUB) and the Croatian Kuna (HRK). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognised

monetary assets and liabilities. Loans, operating income and - except in the development activities - sales of buildings are mainly denominated in euros (EUR). The Group does not hedge systematically its foreign exchange risks. Salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are denominated in local currencies which does not generate any foreign exchange risks.

(ii) Price risk

The Group is exposed to equity securities and embedded derivatives on instruments issued by the Group because of investments held by the Group and classified in the consolidated balance sheet at fair value through profit or loss or as trading financial instruments. To manage its price risk arising from investments in equity securities and such embedded derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed considering the non-significance of such risk for the Group.

(iii) Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area - Central, Eastern Europe and Russia - such activities are spread over several business lines (residences, offices, hotels) and different countries that each undergo specific business cycles.

(b) *Credit risk (see note 14)*

The Group has no significant concentrations of credit risk. Rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution. Credit risk is managed by local management and by Group management,

(c) *Liquidity risk (see note 21)*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets the Group is subject to a liquidity risk (see note 2.1 on going concern and note 3.2 for covenant breaches).

(d) *Cash flow interest rate risk (see note 21)*

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has now started to mitigate some of its variable interest rates by entering into swap transactions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

3.2 Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The level of capital is managed in order to respect the Group's strategy to maintain the loan to value ratio under 50%. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may adjust dividends paid to shareholder (notably by offering the possibility to receive the dividends in shares instead of cash), issue new shares, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

As at 31 December, 2008, the loan to value ratio has reached the level of 67.2% compared to 49.0% in 2007. The strong increase is mainly due to the decrease in value of the investment properties and impairments on building under construction and inventories. The Board of Directors and the Management are taking all actions in order to get back to 50 % as soon as possible.

The following table shows the detailed calculation of the loan to value ratio. Apart from the caption Revaluation gains on projects and properties, all the lines correspond to specific items indicated on the face of the balance sheet. The Revaluation gains on projects and properties represents the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties.

	December 2008	December 2007
Non current liabilities		
Bonds	429,437	472,812
Financial debts	826,483	831,724
Current liabilities		
Financial debts	309,836	175,216
Current assets		
Current financial assets	-2,190	-11,222
Cash and cash equivalents	-83,799	-257,977
Net debt	1,479,767	1,210,553
Investment property	1,211,718	1,564,947
Hotels and own-occupied buildings	245,273	294,170
Properties under development	99,673	104,369
Financial assets	70,681	82,182
Inventories	529,827	323,699
Revaluation gains on projects and properties	44,010	101,610
Fair value of portfolio	2,201,182	2,470,977
Loan to value	67.2%	49.0%

Most of the administrative covenants are managed by local financial managers. Reported breaches are managed at Group level. Financial covenants are directly managed at Group level (see note 29). End of 2008, some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities. Most covenants relate to administrative documents to be provided (audited accounts, management reports) and financial ratios to be respected on the asset level (loan to value, loan to construction and interest coverage ratio).

In some circumstances, when cross default covenants are included in bank loan agreements, breaches occurring at the level of subsidiaries could have the consequence that other bank loans granted to other entities of the Group become repayable on demand. Such cross defaults can occur also in the opposite way, meaning that breaches occurring at the level of the Company could have the consequence that bank loans granted to subsidiaries become repayable on demand.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through income statement) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods

and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. A cash flow period of 10 years is taken into consideration and is based on an estimate of the future potential net income generated by use of the properties. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

Main assumptions for discounted cash flow projections are the following:

discount rate: range from 6.0% to 10.0%;

yield: range from 6.25% to 11.0%;

exit cap rate: range from 5.0% to 8.5%.

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.

Considering the “exceptional” market conditions, the management and the independent expert are of the opinion that some uncertainties remain in respect of the asset valuation.

(b) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.17, the calculation of deferred tax on investment properties is not based on the fact that they will be realised through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognised as a gain depending on the outcome of negotiations with future buyers.

(c) Determination of remaining construction costs and impairment on developments

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realizable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

For the purpose of the impairment test on developments under construction whether classified as buildings under construction or as inventories, the Group does not use the fair value but the present development value that is defined as the expected selling price (as determined by the investment properties’ independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, the sales and marketing costs and all direct or indirect costs that can be associated to the specific development.

Estimate of fair value of financial instruments

Some financial instruments are recorded at fair value. These valuations are performed quarterly by an independent expert, Constantin Associés, for derivative instruments linked to bonds issued by the Group (using a discount rate of 37%, which, in the view of the management includes the best estimate of the credit risk of the Group in the light of existing, available, observable market data), and by the Group’s banks for the other derivatives (IRS, options and forwards). The fair value of financial instruments reflects, among other things, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the income statement.

The Group investments in the Endurance sub-funds are fair valued on the basis of the net asset value as provided by the fund Manager with no liquidity discount.

Determination of the going concern (see note 2.1)

Impairment on own occupied and hotels

For the purpose of determining the impairment on own occupied and hotels, the Group uses the fair value as determined by the independent expert. The valuation methodology used being generally multiple of projected EBITDA.

4.2 Critical judgments in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgment, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgment.

Where applicable, the land on which new properties are under development is recognised separately as an investment property. In such a case the land is fair valued through the income statement on the basis of a percentage of the value determined by the independent valuation expert for the full property under development (land and construction).

Segment reporting

5.1 Primary reporting format - business segments

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

Renting: leased out residences, offices or retail buildings, property management and asset management and buildings under construction that are meant to be leased.

Hotels and Residences: all the MaMaison Hotels and Apartments activities with extended stay hotels and small luxury hotels. This segment also includes the Suncani Hvar activities i.e. leisure hotels in Croatia.

Development: development of projects meant to be disposed of unit by unit, the land bank and project management.

Management services: property management, management services to Group companies and asset management for the Endurance Fund.

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Corporate expenses are allocated on the basis of the revenue realised by each activity. Segment assets consist primarily of tangible assets, inventory and receivables. Unallocated assets comprise deferred tax assets and cash and cash equivalents. Segment liabilities include operating liabilities. Unallocated liabilities are essentially the aggregate of litigation provisions, taxation liabilities and borrowings. For inter-Segment transactions, prices are based on arm's length principle.

As at 31 December 2008	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	157,073	37,685	111,379	16,234	-22,445	299,926
Net gain/(loss) from fair value adjustments on investment property	-123,286	-25,813	-67,852	-	-	-216,951
Cost of goods sold	-128,283	-112	593	40	-	-127,762
Amortisation, impairments and provisions	-75,494	-12,687	-100,240	-96	-	-188,517
Other operating results	-49,809	-41,145	-76,253	-8,644	22,385	-153,467
Operating result	-219,799	-42,072	-132,373	7,533	-60	-386,771
Financial result						-127,642
Profit/(loss) before income taxes						-514,413
Income taxes						50,595
Net profit/loss						-463,818
Attributable to minority interests						73,258
Attributable to the Group						-390,560
Segment assets	1,003,051	235,417	1,105,141	60,587	-128,886	2,275,309
Unallocated assets						188,801
Total assets						2,464,110
Segment liabilities	150,086	11,559	79,897	12,724	-33,278	220,988
Unallocated liabilities						2,243,123
Total liabilities						2,464,110
Cash flow elements						
Capital expenditure	79,314	19,736	183,157	-	-	282,206

As at 31 December 2007	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenues	192 753	42 914	66 088	15 913	-18 439	299 229
Net gain/(loss) from fair value adjustments on investment property	55 047	4 182	88 147	-	-	147 376
Cost of goods sold	-145 796	-1 978	-59	0		-147 833
Amortization, impairments and provisions	-6 949	-5 100	-4 008	-970		-17 027
Other operating results	-39 778	-30 213	-44 969	-1 864	12 183	-104 641
Operating result	55 277	9 805	105 199	13 079	-6 256	177 104
Financial result						-73 859
Profit/(loss) before income taxes						103 245
Income taxes						-2 341
Net profit/(loss)						100 904
Attributable to minority interests						-13 396
Attributable to the Group						87 508
Segment assets	977 403	264 684	1 254 164	5 317	4 694	2 506 262
Unallocated assets						435 189
Total assets						2 941 451
Segment liabilities	168 173	33 133	9 362	8 911	2 043	221 622
Unallocated liabilities						2 719 829
Total liabilities						2 941 451
Cash flow elements						
Capital expenditure	201 352	51 658	251 502	1 233	-	505 745

5.2 Secondary reporting format - geographical segments

The Group's four business segments operate mainly in Central European countries among which most activities are presently generated in the Czech Republic, in Germany, in Russia and in Poland. With the exception of these countries, no other individual country contributed more than 10% of consolidated sales or assets. The location of the customers is the same as the location of the assets except for the hospitality activity.

	December 2008	December 2007
Czech Republic	91 624	151 870
Germany	77 864	79 932
Russia	27 553	19 146
Poland	45 212	18 243
Croatia	18 272	12 271
Hungary	30 796	9 501
Slovakia	5 669	5 835
Luxembourg	15 450	16 886
Intersegment activities	(12 514)	(14 455)
Revenue	299 926	299 229
	December 2008	December 2007
Czech Republic	565,290	692,465
Germany	982,841	1,010,898
Russia	96,307	159,960
Poland	183,449	162,637
Croatia	151,650	144,793
Hungary	122,572	191,828
Slovakia	92,008	90,037
Luxembourg	47,761	65,281
Intersegment activities	(48,473)	(11,638)
Segment assets	2,193,405	2,506,261
Non allocated assets	270,705	435,190
Total assets	2,464,110	2,941,451

Business combinations and disposals

In 2008, there was no material business combination.

In 2007, the Group has entered into three business combinations and has disposed of one significant Group of assets:

GSG in June 2007

Molcom, a logistic park located near Moscow in April 2007

N W D C Company spol s.r.o., a cabling company in November 2007

Partial sale of the hotel portfolio end of November 2007

6.1 Acquisition of GSG

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

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

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

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

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

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

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

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

6.2 Acquisition of Molcom

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

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

As described in note 18 on minority interests' transactions, the Group sold a further 10% share in the shareholding structure of Molcom to the current management during the second semester 2007. The transaction took place at the same price than the acquisition.

As at 31 December 2007, Molcom contributed to the consolidated revenues for EUR 17.0 million, to the operating result for EUR 8.2 million and to the Group share in the net profit for EUR 5.7 million

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as a result of nine months of operation since its acquisition. The operating and net profit contributions include the negative goodwill on acquisition amounting to EUR 3.2 million.

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

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

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

6.3 Acquisition of NWDC

In the fourth quarter of 2007, the Group acquired 51% (with an option to acquire the remaining shares at the same price if the business plan is achieved) for a total cash consideration of CZK 16 million. This company is specialised in production, design and installation of electrical components and machinery for large real estate developments. As at December 2007, NWDC only contributes to the balance sheet. The carrying amount of all assets and liabilities is deemed to approximate their fair value.

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

NWDC	
Tangible assets	31
Inventories	12
Trade receivables	1,782
Other current assets	444
Cash and cash equivalents	92
Financial liabilities	-72
Current payables	-2,077
Net equity acquired	-212
Gain on first consolidation	-963
Acquisition price	-1,175
Less cash acquired	92
Cash flow on acquisition net of cash acquired	-1,083

6.4 Partial sale of the Hotel portfolio

At the end of November 2007 the Group established a 50% partnership with AIG. The Group brought in the joint-venture the operations and real estate properties of the following hotels and residences: the Marriott Court Place and the Riverside hotel in Prague, the Imperial hotel in Otrava, the Sulekova residence in Bratislava, the Izabella Residence and the Andrassy and Starlight hotels in Budapest, the Regina Hotel in Warsaw and finally the newly opened Prokovka Suite Hotel in Moscow. As at December 2007, those activities contribute to the balance sheet for 50% while they contribute for 100% to the whole year Group revenues and operating results.

The following table describes the calculation of the cash flow on sale net of the cash and cash equivalents sold.

Hospitality Invest	
Intangible assets	-304
Tangible assets	-64,034
Deferred tax assets	-719
Inventories	-129
Trade receivables	-1,631
Other current assets	-2,405
Cash and cash equivalents	-2,494
Non current financial liabilities	38,563
Deferred tax liabilities	2,856
Current payables	1,201
Short term debts and provisions	2,262
Net equity sold	26,834
Gain on sale	18,579
Selling price	45,413
Less cash sold	-2,494
Cash flow on disposal net of cash disposed	42,919

Intangible assets

The intangible assets of EUR 57.1 million (EUR 67.0 million in 2007) include mainly the GSG trademark recognised as part of the business acquisition accounting (EUR 7.2 million) and the goodwill on acquisitions (EUR 46.7 million in 2008, compared to EUR 57.2 million in 2007). The decrease in goodwill is mainly due to the sale of Otrada Development LLC (EUR -9.4 million).

Investment property

Investment property	Freehold buildings	Extended stay hotels	Land bank	Land	Buildings under finance lease	TOTAL
Balance at 31 December 2006	469,666	58,701	154,296	65,400	1,375	749,438
Scope movements	406,172	-	2,305	-	-	408,477
Investments / acquisitions	239,630	84	164,756	-	60	404,530
Partial sale	-4,510	-3,267	-	-	-	-7,777
Asset sale	-32,798	-	-	-	-	-32,798
Revaluation through income statement	97,890	4,182	39,352	2,584	155	144,163
Transfers	-119,033	-	22,107	-14,147	-	-111,073
Translation differences	3,419	-133	6,076	625	-	9,987
Balance at 31 December 2007	1,060,436	59,567	388,892	54,462	1,590	1,564,947
Investments / acquisitions	37,041	1,210	73,675	-	1,972	113,898
Partial sale	-	-7,377	-	-	-	-7,377
Asset sale	-113,412	-	-39,233	-	-8	-152,653
Revaluation through income statement	-117,603	-24,225	-74,369	-	-754	-216,951
Transfers	26,943	-6,890	-52,197	-56,572	-	-88,716
Translation differences	6,104	-	-9,644	2,110	-	-1,430
Balance at 31 December 2008	899,509	22,285	287,124	-	2,800	1,211,718

In 2008

Investments / Acquisitions

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

Freehold buildings (EUR 37.0 million):

New acquisitions (EUR 12.7 million):

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

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

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

Land bank (EUR 73.7 million):

New acquisitions (EUR 38.7 million):

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

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

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

Partial Sale

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

Asset sale

During the period, the net book value ("NBV") of the assets sold represents EUR 152.7 million, with a total net loss compared to the December 2007 DTZ valuation amounting to EUR 0.5 million and composed mainly of the following disposals:

The Luxembourg Plaza office building has been sold to the Endurance Real Estate Fund for a sales price equivalent to the net book value amounting to EUR 31.6 million;

The former Luxembourg Head Office building (NBV of EUR 2.3 million) has been sold at the price of EUR 2.3 million;

Sales of apartments from the Vinohrady portfolio (NBV of EUR 45.1 million) at the sales price of EUR 46.6 million;

The building Londynska 26 (NBV of EUR 2.6 million), at the sales price of EUR 1.9 million;

Small Buildings in Berlin have been sold (NBV of EUR 12.3 million) at the sales price of EUR 12.6 million;

Sales of apartments from the Americka residential buildings for a NBV of EUR 2.4 million at the sales price of 3.9 million;

Sales of a part of the project Gethsemannstrasse (NBV of EUR 3.0 million) at the sales price of EUR 3.1 million;

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The project in Slovakia Kohal Kosice (NBV of EUR 5.8 million) has been sold at the sales price of EUR 3.9 million;

The Revay Utca 10 project (NBV of EUR 4.2 million) in Budapest has been sold for at the sales price of EUR 3.4 million;

The CIB Bank in Budapest (NBV of EUR 7.6 million) has been sold at the sales price of EUR 7.1 million;

The Otrada project in Russia (NBV of EUR 35.8 million) has been sold at the sales price of EUR 35.8 million.

Revaluation through income statement (see details below) (see Note 4.1):

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

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

In the Czech Republic, the total amount of decrease of fair value reaches EUR -78.1 million (EUR -38.5 million on Freehold Building and EUR -39.6 million on Land Bank);

The decrease in fair value registered on the period, on the other countries amount to EUR 63.2 million considering the Freehold Buildings (EUR -42.4 million) and the land bank (EUR -20.8 million);

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

Transfers

Transfers represent 3 types of reclassifications:

The first category relates to the reclassification of the lands or buildings, that were previously recognized as investment properties, and have been transferred as inventories in order to be sold, with or without the building permit (EUR -115.4 million).

- From the land category, the main project transferred is the Paris Department store (EUR 7.3 million) in Budapest, which is planned to be sold;

- In the buildings category, Pivovar Vrchlabi (former brewery with 20 000 sqm of residential and commercial units), the Hradcanska project (retail and office), the Danziger Strasse project (commercial and office), the H2 Office project (office) and the City Gate project have been transferred to inventories for development after obtaining the building construction permit for a total amount of EUR 62.4 million.

- Some projects have also been transferred from the land bank category to inventories after obtaining the building permit: Benice (EUR 30.8 million), Slunecny Vrsek (EUR 4.1 million), Vavrenova (EUR 3.6 million), Nové Dvory (EUR 2.9 million), Rudna (EUR 2.7 million) and the Drawska project in Warsaw (EUR 1.6 million).

The second category of reclassification relates to the projects, which are transferred from investment properties to construction in progress, after obtaining the building permit (EUR -37.9 million).

- Na Porici (EUR 17.5 million) in the Czech Republic, and the Budapest Stock Exchange (EUR 18.1 million) in Hungary, have been transferred to properties under development.

- the Molcolm free plot of land (EUR 2.3 million) has been transferred to properties under development for the construction of a new class A warehouse.

The third category of transfer relates to the projects previously recognized as construction in progress, which have been completed during the period and transferred into investment properties. It concerned mainly the Radio Free Europe Building transferred in Building (EUR 65.3 million).

All investment properties financed by banks are pledged.

In 2007

The scope movements refer principally to GSG's (Gewerbesiedlungs-gesellschaft mbH) buildings acquired by Orco Germany SA (see note 6 on business combinations) and plots of land owned by Molcom, a logistics company acquired in Russia. End of 2007, the Group sold 50% of its hotel

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portfolio to AIG among which the Starlight Suite Hotel (EUR -4.5 million) and the Residence Izabella (EUR -3.3 million). This movement reported on the partial sale line reflects the change in consolidation methodology from global consolidation to proportionate and as such the exit of the 50% of the assets.

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

Freehold buildings:

- Germany: various residential and office buildings among which Gebauer Höfe (EUR 42.9 million), Reinhardtstrasse (EUR 9.5 million), Apple Tree (EUR 9.5 million), Pappelallee (EUR 5.2 million), Tucholskystrasse (EUR 2.5 million) and Boxhagenerstrasse (EUR 2.3 million);
- Czech Republic: Mostecka residential building (EUR 22.5 million), Hradcanska (EUR 21.2 million), Hlubocky (EUR 10.0 million), Stribro (EUR 6.9 million) and Jeremiasova (EUR 3.1 million);
- Luxembourg: total investment reached EUR 31.2 million among which EUR 27.5 million are reported as Freehold buildings let to first class tenants and the remaining 12% are dedicated to the Group's new headquarters and are classified in own-occupied;
- Slovakia: City Gate (EUR 21.0 million), Dunaj (EUR 18.9 million) and Hotel Kohal in Kosice (EUR 4.2 million);
- Hungary: Szervita Square (EUR 8.8 million);
- Poland: Marki (EUR 7.1 million).

Land bank:

- Germany: Wertheim in the centre of Berlin (EUR 78.9 million), Elb Loft Bau in Hamburg (EUR 2.0 million);
- Russia: Otrada for potential development of residential buildings on 10.0 ha plot (EUR 41.3 million);
- Poland: Szosa Polska, a 7.3 ha parcel in Szczecin (EUR 7.7 million) and Przy Parku, plot located in Warsaw (EUR 5.6 million);
- Hungary: Origo Film Studios (EUR 9.2 million);
- Czech Republic: U Hranic (EUR 2.8 million), Vavrenova (EUR 2.4 million), Rudna III (EUR 2.1 million), Hradec Kralove Plachta jih (EUR 1.6 million) and Bezecka (EUR 1.2 million).

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

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

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

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

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

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

List of major investment properties:

Freehold Buildings	2007	Fair Value	2008	Fair Value
	Revaluation	31.12.07	Revaluation	31.12.08
Germany				
GSG	28,182	434,300	28,125	463,300
Franklinstraße 15	4,819	47,720	-7,370	40,350
Cumberland Haus	16,196	61,660	-37,028	30,280
Immanuelkirchstrasse 3-4	1,260	12,400	-1,775	10,720
Wasserstrasse	4,545	10,580	-1,061	9,520
Reinhardtstrasse 18	523	9,210	-643	8,570
Kurfurstendamm 102	1,473	9,810	-2,067	7,770
Hüttendorf	-	-	-546	7,347
Brunnenstraße 156 & Invalidenstraße 112	-420	9,050	-2,035	7,070
Max Planck Strasse	1,559	11,970	-5,350	6,620
Pappelallee 3-4	418	5,680	-456	5,290
Wupperstrasse 9	15	5,020	-230	4,790
Kollwitzstrasse 71	-211	2,560	386	3,060
Hakeburg	-	-	-1,275	2,436
Zionkirchstrasse 7	293	2,280	48	2,360
Boxhagener Str 106	142	2,410	-280	2,130
Breite Str 15	427	2,460	-432	2,080
John Schehr Str 64	538	2,310	-332	1,980
Orco Elb Loft	-	-	-538	1,770
Prenzlauer Allee 195	302	2,140	-463	1,680
Brunnenstrasse 25	-203	2,140	-571	1,600
Berlin Gorschtr. 18	-	-	-230	1,480
Brunnenstr. 27 - OG	-	-	-450	1,370
Hosemannstrasse 6-7, Berlin	-	-	-430	1,350
Lutticher Str. 49	-	-	-567	1,210
Wilhelm - Kuhr - Str. 86	-	-	-644	1,110
Hochwald	-	-	-469	927
H2 Office	384	3,910	-	-
Danziger Str 73 77	-93	7,105	-	-
Tucholskystrasse 39	-242	2,260	-	-
Total Freehold Buildings Germany :	59,907	646,975	-36,683	628,170

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Freehold Buildings	2007	Fair Value	2008	Fair Value
	Revaluation	31.12.07	Revaluation	31.12.08
Czech Republic				
Radio Free Europe	-	-	-18,832	55,700
Vlatvska	-	-	-819	34,250
Hlubocky	2,047	12,930	-985	15,150
Mostecka	-332	22,320	-12,541	10,580
Amerika Park Residential	-	-	-2,414	9,890
Stribro	2,270	9,200	-1,310	7,890
Brno Shopping Centre	1,011	6,930	-1,831	5,100
Belgicka 36 - Na Kozacce	78	8,440	49	5,010
Jeremiasova	-	-	-	3,050
Nad Petruskou 8	280	4,080	-536	2,650
Amerika 11	-	-	244	2,600
Americka 3	-	-	463	-
Na Porici	5,513	-	-	-
Luxembourg Plaza	2,040	31,550	-	-
Londynska 41	882	6,380	-	-
Kazacka 2 Londynska 39	801	8,170	-	-
Hradcanska	774	22,000	-	-
Anglicka 26	340	6,280	-	-
Manesova 28	155	5,900	-	-
Bubenska	-255	37,186	-	-
Slovakia				
Dunaj	455	19,500	-3,286	18,480
Pivovar Stein	-453	22,150	-9,468	15,000
City Gate	3,836	26,230	-	-
Kohal	639	5,100	-	-
Hungary				
Headquarters of Budapest Bank	3,643	38,000	-14,723	23,330
Szervita Square	819	18,800	-6,148	13,700
Budapest Stock Exchange *	-	-	-	-
Starlight Suite Hotel (50% sold to AIG)	384	4,492	-288	4,365
Budapest Bank	1,472	6,420	-4,100	2,320
Paris Department Store	2,549	-	-	-
CIB Bank Budapest	1,224	8,000	-	-
Revay Office	-226	4,340	-	-
Poland				
Marki	677	7,750	-2,689	7,360
Diana Office	-	-	-1,300	5,590
Luxembourg				
Orco House	-	27,500	460	26,750
Other				
	7,360	43,813	-866	2,574
Total Freehold Buildings :				
	97,890	1,060,436	-117,603	899,509

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Land and Land bank	2007 Revaluation	Fair Value 31.12.07	2008 Revaluation	Fair Value 31.12.08
Czech Republic				
Bubny	7,963	95,000	-25,706	88,000
Praga	4,539	15,180	-1,289	15,730
Nupaky 1	-	-	-1,003	5,000
Doupovska	357	4,000	-702	4,000
Mezihoří	2,191	2,850	-1,423	3,010
Bellvue Grand	109	4,110	-1,519	2,650
U Hranic Prague 10, CZ	-	-	-560	2,550
Hradec Králové Plachta Jih	3,161	4,980	-3,282	1,870
OBI Decin	-	-	-474	1,700
Rubeska	-	-	18	1,470
Ostrava - Na Frantisku	-	-	-1,399	1,350
Bezecka	-	-	-1,447	670
Kolin, CZ	-	-	-813	260
Benice	3,562	29,000	-	-
Vavrenova	1,098	3,400	-	-
Slunečný vršek Phase 3	481	3,883	-	-
Pivoňová Vrchlaby	2	2,500	-	-
Na Porici	-2,558	16,714	-	-
Radio Free Europe Hagibor	-4,584	12,700	-	-
Germany				
Leipziger Platz	19,544	98,520	-5,950	95,320
Helberger	885	19,840	-7,841	12,300
Essen Gruga Carree	-	-	-218	2,440
GSG	-	-	-	910
Russia				
Kaluga 145 Ha	-	-	-6,192	9,600
Otrada	-	41,270	-	-
Hotel Pokrowka	-	-	-	-
Poland				
Józefosław	-257	12,200	-4,701	8,450
Szosa Polska	947	9,200	120	8,000
Kraków Ruczaj	-	-	-1,241	6,000
Przy Parku	-43	5,900	-1,272	4,550
Białystok	-	-	801	2,790
Hungary				
Origo Film Studios	883	10,000	-8,335	5,250
Paris Department Store	55	7,200	-	-
Budapest Stock Exchange	1,880	18,000	-	-
Croatia				
Obonjan Rivijera	-	-	69	2,286
Istria plot (595 k.o. Pican)	-	-	29	960
Other	1,721	26,907	-39	8
Total Land and Land bank:	41,936	443,354	-74,369	287,124
	2007 Revaluation	Fair Value 31.12.07	2008 Revaluation	Fair Value 31.12.08
Buildings under finance lease:	155	1,590	-754	2,800
Extended stay hotels:	4,182	59,567	-24,225	22,285
TOTAL :	144,163	1,564,947	-216,951	1,211,718

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Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance at 31 December 2006	8,265	3,852	157,788	169,905
Scope variation	94,548 (a)	-	-	94,548
Partial sale Hotel portfolio to AIG (b)	-	-1,967	-48,329	-50,296
Investments / acquisitions	7,619 (c)	-	38,318 (e)	45,937
Disposal	-12	-	-	-12
Transfer and other movements	5,337 (d)	-	36,825 (f)	42,162
Translation differences	-3,327	70	624	-2,633
Balance at 31 December 2007	112,430	1,955	185,226	299,611
Investments / acquisitions	2,174	-	6,194 (g)	8,368
Disposal	-5,897 (h)	-	-	-5,897
Transfer	1,956	-	3,687	5,643 (i)
Translation differences	-8,004	209	-3,237	-11,032
Balance at 31 December 2008	102,659	2,164	191,870	296,693
AMORTISATION AND IMPAIRMENT				
Balance at 31 December 2006	468	203	3,731	4,402
Partial sale Hotel portfolio to AIG	-	-108	-1,046	-1,154
Allowance	488	7	801	1,296
Transfer and other movements	5	-	845	850
Translation differences	-10	5	52	47
Balance at 31 December 2007	951	107	4,383	5,441
Allowance	1,090	17	947	2,054
Disposal	-582	-	-	-582
Impairments	37,873 (m)	-	6,877 (n)	44,750
Transfer	65	-	-88	-23
Translation differences	-121	13	-112	-220
Balance at 31 December 2008	39,276	137	12,007	51,420
NET AMOUNT AT 31 December 2008	63,383	2,027	179,863	245,273
Net amount at 31 December 2007	111,479	1,848	180,843	294,170

In 2008

The investment movement ^(g) refers to the improvement works in the Pokrovka Hotel in Moscow (EUR 0.5 million) and in various hotels located on Hvar island in Croatia (EUR 5.9 million). The Group sold the Lux Plaza office building ^(h) to Endurance Fund where 20% of the net rentable area are dedicated to Orco's headquarters in Prague and were as a result classified under the IAS16 own-occupied caption (EUR -5.8 million).

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

Since the NBV of some buildings exceeds the DTZ valuation, impairments have been recognized for the amount exceeding the DTZ value, as follows (see note 4.1):

- Own-occupied ^(m): Molcom Logistics (EUR 34.0 million), Orco Germany's headquarters (EUR 1.7 million) in Berlin and Suncani Hvar headquarters (EUR 2.1 million).
- Hotels ⁽ⁿ⁾: Riverside I & II in Prague (EUR 5.7 million), Andrassy Hotel in Budapest (EUR 0.7 million) and Camping Vira (EUR 0.4 million) on Hvar island.

In 2007

The scope movement ^(a) refers mostly to the acquisition of Molcom (EUR 92.1 million), a logistics company acquired in Russia (see note 6 for more information detailing this business combination) and to GSG's headquarters acquired by Orco Germany S.A. for EUR 2.4 million.

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End of November 2007, the Group sold 50% of its hotel portfolio to AIG ^(b). The decrease (EUR - 49.1 million) reflects the change in the consolidation methodology from global consolidation to proportionate one and as such the exit of the 50% of the assets (see note 32 on joint venture).

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

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

During 2007, the hotels ^(e) Adriana (EUR 12.4 million) and Amfora (EUR 25.0 million), both located on Hvar island in Croatia, have opened after global refurbishment. The last phase of refurbishment works of Amfora Hotel is to be completed during the winter season 2007/2008.

Since the Pokrovka Hotel in Moscow ^(f) was opened in September 2007 (EUR 32.4 million), the building was transferred from property under construction to this caption.

Fixtures and fittings

	Gross amount	Amortisation	Net amount
Balance at 31 December 2006	23,621	-8,585	15,036
Scope variation	4,069	-	4,069
Increase	14,578	-6,372	8,206
Asset sales	-3,159	2,078	-1,081
Change to proportional consolidation	-8,542	3,727	-4,815
Transfer	-282	-232	-514
Translation difference	395	-260	135
Balance at 31 December 2007	30,680	-9,644	21,036
Increase	4,987	-4,515	472
Asset sales	-4,235	1,825	-2,410
Change to proportional consolidation	-766	642	-124
Transfer	342	568	910
Translation difference	-1,628	771	-857
Balance at 31 December 2008	29,380	-10,353	19,027

In 2008

Main increases are due to the acquisition of Blue Yachts, d.o.o. in Croatia (EUR 1.6 million) and investments done by Suncani Hvar in Croatia (EUR 0.8 million), the Riverside Hotel in the Czech Republic (EUR 0.4 million), the Pokrovka Hotel and Molcom in Russia (respectively EUR 0.4 million and EUR 0.2 million).

Asset sales mainly represent sales of fixtures made by the Group's mother company, Orco Property Group S.A. (net sale of EUR -1.0 million) and Orco Prague,a.s. in the Czech Republic (net sale of EUR -0.4 million).

Change to proportional consolidation (EUR -0.1 million) represents the sale of Residence Belgicka in the Czech Republic and Residence Diana in Poland to Hospitality Invest S.à r.l.

In 2007

In 2007, scope movements mainly refer to the acquisition of the logistics company Molcom in Russia (EUR 2.8 million) and to the acquisition of GSG in Germany (EUR 1.2 million).

Main increases are due to investments made on the Hvar Island in Croatia, principally for the hotels Amfora, Adriana and Riva (EUR 2.3 million), and to investments done by the hotel Pokrovka in Russia (EUR 2.2 million) and Andrassy Hotel in Hungary (EUR 0.5 million). The Group's mother company, Orco Property Group S.A., also made some investments (EUR 1.1 million).

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Change to proportional consolidation represents the impact of the joint-venture made with AIG (sale of 50% of the shares of Hospitality Invest S.à r.l). Please refer to note 6 for further details.

Properties under development

Properties under development	December 2008	December 2007
Opening Balance	104,369	33,322
Work in progress	84,213	40,700
Finalised projects	-	-18,476
Impairments	-27,367	-3,983
Transfers and other movements	-56,302	50,673
Translation differences	-2,640	2,125
Movements in advance payments for work in progress	-2,600	8
Closing Balance	99,673	104,369

In 2008, the category Properties under development also includes advance payments for EUR 2.5 million, compared to EUR 5.1 million as at 31 December 2007. These advance payments essentially relate to the acquisition of various projects in the Czech Republic.

In 2008

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

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

Additional impairments have been recognised on the basis of the value established by DTZ on the following properties (see note 4.1):

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

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

The first category relates to the reclassification of the lands and land bank, that were previously recognised as investment properties, and have been transferred to Properties under development. The main transfers are:

Budapest Stock Exchange: EUR 18.1 million;
 Molcom: EUR 2.3 million;
 Na Porici: EUR 17.5 million.

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

The Paris Department Store: EUR -18.2 million;
 The Peugeot Showroom project in Warsaw: EUR -3.3 million.

Finally, 2 projects have been completed during the third and fourth quarter:

The project Radio Free Europe is recognized as Investment Property (EUR -65.3 million);
 The project of the hotel Riverside II is recognized in the Hotels category (EUR -5.1 million);

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2 projects (Vaci 1 in Hungary and Na Porici in the Czech Republic) are pledged for a total amount of EUR 52.2 million (nil in 2007) (see note 19.3).

In 2007

The Work in progress represents several investments made during the year for the following projects: Radio Free Europe (EUR 16.8 million) and Na Porici (EUR 2.0 million), located in Prague; Sky Office (commercial development in Düsseldorf), for EUR 10.4 million; Budapest Stock Exchange (EUR 2.1million) and Paris Department Store (EUR 2.0 million), both located in Budapest; Pokrovka Hotel (EUR 2.7 million) in Moscow; Peugeot Showroom (EUR 1.2 million) in Warsaw.

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

Transfers and other movements represent several reclassifications of projects, among which: Sky Office, in Germany, reclassified from Properties under development to Inventories (EUR -10.4 million);

Na Porici (office development in Prague, Czech Republic), reclassified from Investment properties to Properties under development (EUR 30.3 million);

Budapest Stock Exchange and Paris Department Store in Hungary, reclassified from Investment properties to Properties under development (respectively EUR 21.7 million and EUR 8.1 million).

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

Financial assets at fair value through Profit or Loss

This line mainly includes the non eliminated portions of the equity loans granted to joint-ventures for EUR 38.8 million (EUR 41.6 million in 2007) out of which EUR 38.2 (EUR 40.3 million in 2007) million correspond to 50% of the loan granted to the hospitality joint-venture with AIG and the fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 29.4 million (EUR 33.4 million in 2007).

The Endurance Fund managed by the Group (see note 30) is divided in three specialised sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. In conformity with IAS39, these investments are accounted for at their fair value with variations going through the income statement. The change in fair value recorded in 2008 amounts to a loss of EUR 6.2 million (EUR 2.5 million gain in 2007). The fund prepares consolidated financial statements as at 30 September each year and interim consolidated financial statements as at 31 March.

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Inventories

Inventories	December 2008	December 2007
Opening Balance	323,699	248,884
Acquisition of Molcom	-	953
Net impairments	-82,773	-5,879
Transfers	137,435	30,498
Translation differences	-26,209	7,546
Development costs	305,437	189,530
Cost of goods sold	-127,762	-147,833
Closing Balance	529,827	323,699

In 2008

Inventories properties are developped with the intention to resell.

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Following the change in the intended use of various properties the following transfers have occurred: EUR 62.4 million from Freehold buildings, EUR 45.7 million from Land bank, EUR 22.1 million from Construction in progress, EUR 7.3 million from Land.

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

Additional impairments have been recognised as described in note 4.1.C mainly on the following properties:

Fehrbelliner Hofe: EUR -16.5 million;

Benice: EUR -17.2 million;

Hradcanska: EUR -13.0 million;

City Gate: EUR -7.5 million;

Duesseldorf Sky Office: EUR -6.2 million;

Danziger Strasse: EUR -5.3 million.

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

16 projects in development are pledged for a total amount of EUR 214.0 million (8 projects for EUR 63.7 million in 2007) (see note 19.3).

In 2007

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

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Credit risk

At 31 December 2008	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Non-current financial assets gross	38,166	-	-	-	-	38,166
Impairments at 31 December 2007					-	-
Impairments - allowance					-	-
Total	38,166	-	-	-	-	38,166
Trade receivables gross	28,076	8,424	382	80	9,761	46,723
Impairments at 31 December 2007					-9,183	-9,183
Impairments - allowance					-7,083	-7,083
Impairments - write-back					1,496	1,496
Impairments - transfers					5,009	5,009
Total	28,076	8,424	382	80	-	36,962
Other financial receivables gross	51,512	1,373	64	85	1,567	54,601
Impairments at 31 December 2007					-97	-97
Impairments - allowance					-334	-334
Impairments - write-back					1,191	1,191
Impairments - transfers					-2,327	-2,327
Total	51,512	1,373	64	85	-	53,034
Current financial assets gross	2,190	-	-	-	1,988	4,178
Impairments at 31 December 2007					-1	-1
Impairments - allowance					-1,027	-1,027
Impairments - transfers					-960	-960
Total	2,190	-	-	-	-	2,190
Cash and cash equivalents gross	83,799	-	-	-	-	83,799
Impairments at 31 December 2007					-	-
Impairments - allowance					-	-
Total	83,799	-	-	-	-	83,799

At 31 December 2007	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Non-current financial assets gross	16,954	-	-	-	-	16,954
Impairments at 31 December 2006					-	-
Impairments - allowance					-	-
Total	16,954	-	-	-	-	16,954
Trade receivables gross	53,746	8,970	608	1,567	9,183	74,074
Impairments at 31 December 2006					-8,817	-8,817
Impairments - allowance					-1,257	-1,257
Impairments - write-back					1,443	1,443
Impairments - transfers					-552	-552
Total	53,746	8,970	608	1,567	-	64,891
Other financial receivables gross	57,836	6,811	2,318	298	2,474	69,737
Impairments at 31 December 2006					-1,429	-1,429
Impairments - allowance					-1,045	-1,045
Total	57,836	6,811	2,318	298	-	67,263
Current financial assets gross	11,222	-	-	-	-	11,222
Impairments at 31 December 2006					-	-
Impairments - allowance					-	-
Total	11,222	-	-	-	-	11,222
Cash and cash equivalents gross	257,977	-	-	-	-	257,977
Impairments at 31 December 2006					-	-
Impairments - allowance					-	-
Total	257,977	-	-	-	-	257,977

The non-current financial assets represent loans to the Group's joint-ventures.
The other financial receivables excluded in this table represent mainly tax receivables and operating loans.

In 2008

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In 2008 the Group has recorded impairments on trade receivables amounting to EUR 7.1 million (mainly EUR 5.8 million in Germany and EUR 0.8 million in Slovakia) and a reversal of impairment of EUR 1.5 million (EUR 1.3 million in Germany), in application of the Group management review of the overdue receivables (see note 3.1).

In 2007

In 2007, the Group has recorded impairments on trade receivables amounting to EUR 1.4 million (mainly EUR 0.5 million in Germany, EUR 0.3 million in Poland and EUR 0.3 million in Slovakia) and a reversal of impairment of EUR 1.3 million (EUR 0.8 million in the Czech Republic, EUR 0.4 million in Germany). Furthermore the Group increased its impairments on receivables through the acquired businesses for EUR 0.2 million.

On acquisition, GSG, Molcom and NWDC have contributed to the Group trade receivables for EUR 4.6 million, EUR 0.9 million and EUR 1.8 million respectively, the rest of the growth is a reflection of the increased sales of the Group.

Trade receivables of 2006 with an overdue time greater than six months and related mainly to German residential developments (EUR 27.0 million) have been recovered in 2007.

Under the caption Other receivables, there is an amount overdue of EUR 3.0 million on which an impairment of EUR 2.3 million has been recognised, mainly related to receivables on general contractors in Germany.

Current financial assets are composed by a diversified portfolio of investments in listed and non-listed companies and funds, none of those investments exceed EUR 3 million.

The credit risk of the Group is mitigated considering the large number of bank counterparties in each country where operates the Group (total of 37 banks at 31 December 2008, and 35 banks at 31 December 2007).

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The table below shows the rating and the balance for some of the major bank counterparties at the balance sheet date.

In Euro million	Rating Agency			December	December
Counter party	Moody's Rating	S&P's Rating	Fitch's Rating	2008	2007
Deutsche Bank	Aa1	A+	-	15.1	14.3
CSOB	A1	-	-	10.6	9.1
KBC Bank	Aa2	A+	-	8.3	57.2
St Petersburg Bank	-	-	B+	7.8	-
Berliner Volksbank	-	A+	-	4.9	5.3
Calyon	Aa1	AA-	-	1.7	1.2
Fortis Bank Luxembourg (BGL)	A1	A	-	0.1	22.0
				48.5	109.1

In the opinion of the management, there is no significant credit risk on bank counterparties not included in table above.

Currency risk

The following table gives the impact on the total assets in absolute terms in EUR million of the variation (increase/decrease) by 5 % against the Euro for each currency in which the Group has a significant exposure.

December 2008	Change of 5% against EUR
CZK/EUR	1.3
PLN/EUR	1.4
HUF/EUR	3.9
SKK/EUR	0.7
HRK/EUR	2.2

December 2007	Change of 5% against EUR
CZK/EUR	6.2
PLN/EUR	3.9
HUF/EUR	5.2
SKK/EUR	2.0

Positions in foreign currencies have decreased since December 2007 due to the increased leveraged portion of development projects in the Group portfolio. Except in Hungary where all the bank financing are denominated in Euro, bank financing of developments are generally denominated in local currency as opposed to bank financing of investment properties that can be either expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euro in companies having another currency as functional currency (see note 4.1).

Current financial assets

	December 2008	December 2007
Shares	2,190	9,390
Money market placements	-	1,832
Total	2,190	11,222

2008

Shares represent mainly the Group's participation in Orco Germany for EUR 0.9 million (EUR 2.5 million in 2007) and in NOVY Fund for EUR 0.5 million (EUR 2.9 million in 2007). In 2008 the participation in the company Les Nouveaux Constructeurs (EUR 1.5 million in 2007) has been sold.

Cash and cash equivalents

As at December 2008, the cash and cash equivalents consist of short term deposits for EUR 17.1 million (EUR 81.1 million in 2007), cash in bank for EUR 66.5 million (EUR 176.6 million in 2007) and cash in hand for EUR 0.2 million (EUR 0.3 million in 2007).

Cash in bank include restricted cash (EUR 55.0 million) representing:
cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal (EUR 7.9 million);
cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units (EUR 15.4 million);
cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property (EUR 31.7 million).

Minority interests' transactions

2008

In January 2008, Suncani Hvar dd proceeded to a capital increase that has been subscribed by the Group. As a result the minority interests in absolute terms decreased by EUR 8.6 million and the shareholding of the Group in Suncani Hvar dd has slightly gone up from 47.6% to 55.6%.

In June 2008, the Group sold 1% of Orco Molcom BV (shareholding of the Group of 69% as at December 2008). It results to a decrease of the equity group of EUR 1.1 million.

The sale to the residential Endurance sub-fund of 25% in one residential development in Czech Republic (Benice) resulted in a decrease of the equity group amounting to 3.3 million.

2007

On the GSG transactions (see note 6) the Group equity increased by EUR 5 million reflecting the gain on the positive difference between the average price per share of the capital increase subscribed by MSREF and the value per share of Orco Germany in the consolidated financial statements of Orco Property Group. The increase of minority interests by EUR 69.1 million results from the contribution of MSREF V in the transaction.

The other minority interest transactions result mainly from the following events:

In February 2007, Suncani Hvar dd proceeded to a capital increase that has been subscribed by the Group, the Croatian state privatisation fund and a few minority shareholders but not all of them. As a result the minority interests in absolute terms increased by EUR 6.3 million and the shareholding of the Group in Suncani Hvar dd has slightly gone up from 47.1% to 47.6%.

The Group acquired the control of Molcom on the first of April 2007 (see note 6) through a company held at 80%. In the second half of 2007, the partner in this holding structure has increased its share to 30%. Additionally, during the second semester, the Group has acquired 60% of the shares in Otrada Development o.o.o.. All these transactions have lead to an increase of the minority interests of EUR 39.6 million.

The sale to the residential Endurance sub-fund of 25% in four residential developments in Poland (Zlota, Szczecin and Jozefoslaw) and the Czech Republic (Praga 10) resulted in an increase of the minority interests amounting to 4.0 million and a gain recognised in other operating income amounting to EUR 6.3 million.

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Borrowings, financial debts, bonds and derivatives

At 31 December 2008, the movements in non-current bonds and loans are the following:

19.1 Non-current bonds

Non-current bonds	Convertible bonds	Exchangeable bonds	Bonds with repayable subscription warrants	Bond CZK	TOTAL
Balance at 31 December 2006	125,976	23,172	41,299	50,408	240,855
Issue of new bonds	-	-	221,642	-	221,642
Interests accumulated during the period	11,277	160	9,331	124	20,892
Repayment of bonds	-	-	-	-	-
Conversion rights exercised	-5,870	-	-	-	-5,870
Translation differences	-	-	-	1,674	1,674
Own bonds	-1,621	-2,704	-2,056	-	-6,381
Balance at 31 December 2007	129,762	20,628	270,216	52,206	472,812
Interests accumulated during the period	13,599	156	13,736	321	27,812
Repayment of bonds	-	-	-	-38,742	-38,742
Translation differences	-	-	-	-2,710	-2,710
Transfer to short term	-	-	-	-11,075	-11,075
Own bonds	-8,317	-1,389	-8,954	-	-18,660
Balance at 31 December 2008	135,044	19,395	274,998	-	429,437

No new bonds have been issued in 2008.

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

See note 3.2 for covenants, defaults and cross defaults

Non-current loans

Non-current loans	Bank loans	Other non-current loans	Finance lease liabilities	TOTAL
Balance at 31 December 2006	311,212	2,736	1,157	315,105
Issue of new loans and drawdowns	511,287	28,763	36	540,086
Acquisition of subsidiaries	105,036	470	-	105,506
Repayments of loans	-34,591	-6,292	-99	-40,982
Transfers	-93,013	-1,723	-	-94,736
Translation differences	6,807	-99	37	6,745
Balance at 31 December 2007	806,738	23,855	1,131	831,724
Issue of new loans and drawdowns	278,622	10,182	315	289,119
Repayments of loans	-105,779	-9,084	-27	-114,890
Transfers	-164,121	7,386	-278	-157,013
Translation differences	-22,042	-400	-15	-22,457
Balance at 31 December 2008	793,418	31,939	1,126	826,483

2008

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

- further drawdowns for the construction of the Sky Office tower in Germany (EUR 46.8 million);
- refinancing of Radio Free Europe and Na Porici projects in the Czech Republic (respectively EUR 41.3 million and EUR 9.9 million);
- refinancing of Hospitality projects (EUR 34.3 million);
- refinancing of Vaci 1 (Budapest Stock Exchange) in Hungary (EUR 23.6 million);
- financing of acquisition of land plots Malborska and Przy Parku in Poland (respectively EUR 18.4 million and EUR 4.4 million);
- refinancing of Zlota Tower in Poland (EUR 24.9 million).

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

- sale of the Luxembourg Plaza building (EUR -26.0 million);
- early repayments of Hospitality loans as the result of their refinancing (EUR -16.9 million);
- sale of Avenue Gardens in Hungary (EUR -11.7 million);
- repayments of loans linked to the sale of Vinhorady building portfolio (Anglicka 26, Belgicka 40, Londynska 41 and Manesova 28) for a total amount of EUR -9.9 million;
- repayment of one of the loan financing Mostecka project in the Czech Republic for EUR -6.8 million;
- repayment of some Suncani Hvar loans (EUR -3.9 million).

Transfers of bank loans (EUR -164.1 million) are due:

- to the reclassification of the bank loans related to the following projects:
Wertheim and Wasserstraße in Germany for respectively EUR -65.6 million and EUR -7.0 million;
Bubny in the Czech Republic for EUR -27.9 million;
City Gate and Dunaj in Slovakia for respectively EUR -16.7 million and EUR -12.7 million;
Szervita in Hungary for EUR -10.3 million.

Most of these projects will have to be refinanced within 12 months.

- to breaches on financial covenants for the bank loans financing the following projects:
Reinhardtstraße (EUR -6.8 million), Brunnenstraße 156 and Invalidenstraße 112 (EUR -6.7 million at all), Danzigerstraße 73-77 (EUR -5.5 million), Prenzlauer Allee (EUR -1.4 million), Jeremiasova (EUR -2.2 million), Wilhelm-Kuhr-Straße and Görschstraße 18 (EUR -1.3 million both).

As the repayment for these loans can be requested at first demand, the non-current part is reclassified as current. Most of the breaches were related to the Loan to Value ratio (except for the Danziger Strasse loan). In the context of the restructuring program, the Group sold 3 out of the 8 assets in breach during the first semester 2009 (see note 33.6).

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

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

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

2007

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Issue of new bank loans (EUR 511.3 million) is mainly related to the following entities:

- In Germany:
 - GSG for EUR 232.9 million;
 - Leipziger Platz (which holds Wertheim project) for EUR 65.6 million;
 - Gebauer Höfe (which holds Franklinstraße 15 project) for EUR 28.1 million;
 - Viterra Erste (which holds Sky Office project) for EUR 18.3 million;
 - Orco Germany (which holds various projects) for EUR 17.3 million.
- Suncani Hvar in Croatia for EUR 40.3 million;
- Luxembourg Plaza and TQE Assets in the Czech Republic for respectively EUR 9.6 million and EUR 9.0 million.

Acquisition of subsidiaries (EUR 105.0) mainly relates to the acquisition of the followings companies or projects:

- GSG in Germany (EUR 68.8 million);
- Orco House in Luxembourg (EUR 21.5 million);
- City Gate in Slovakia (EUR 7.0 million).

Transfers of bank loans are mainly due to the reclassification of some loans from long term to short term for the following projects:

- all projects held by Orco Projektentwicklungs GmbH (including Helberger) and Cumberland Palace in Germany (respectively EUR -26.2 million and EUR -20.0 million);
- Vltavska (Bubenska) in the Czech Republic (EUR -18.5 million);
- Stein in Slovakia (EUR -13.5 million);

19.3 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. In 2008, the non-current bonds and financial debts amount to EUR 1.25 billion (in 2007 EUR 1.30 billion).

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

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At 31 December 2007	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	-	199,474	273,338	472,812
Convertible bonds	-	-	-	129,762	129,762
Exchangeable bonds	-	-	20,628	-	20,628
Fixed rate bonds	-	-	126,640	143,576	270,216
Floating rate bonds	-	-	52,206	-	52,206
Financial debts	-	167,805	482,653	181,266	831,724
Bank loans	-	167,805	482,213	156,720	806,738
Fixed rate	-	2,862	25,331	34,672	62,865
Floating rate	-	164,943	456,882	122,048	743,873
Other non-current borrowings	-	-	440	23,415	23,855
Finance lease liabilities	-	-	-	1,131	1,131
Total	-	167,805	682,127	454,604	1,304,536
Current					
Bonds and financial debts					
Bank loans fixed rate	40,669	-	-	-	40,669
Bank loans floating rate	119,667	-	-	-	119,667
Others borrowings	14,880	-	-	-	14,880
Total	175,216	-	-	-	175,216

The increase in current floating rate bank loans is due to the transfer of Wertheim, Bubny and City Gate bank loans from long term to short term debt for respectively EUR 65.6 million, EUR 27.9 million and EUR 16.7 million.

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

The Group has entered into interest rate derivatives representing 72.8% of the non-current floating rate borrowings (in 2007: 70.1%) and 51.3% of the current floating rate borrowings (in 2007: 43.7%), 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.

Fair value of short term and long term fixed rate debt as at 31 December 2008 (including bonds) amounts to EUR 257.1 million (in 2007: EUR 491.6 million), whereas the total book value as at 31 December 2008 is EUR 497.0 million (in 2007: EUR 524.1 million).

Bank loans include amounts secured by a mortgage on properties and/or a pledge on the shares of the companies benefiting from the loan to the value of EUR 1.087 billion (EUR 967.1 million as at 31 December 2007).

The carrying amount of the Group's borrowings (current and non current) is denominated in the following currencies:

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	December 2008	December 2007
EUR	1,267,515	1,281,478
CZK	115,576	141,539
PLN	70,658	19,691
SKK	47,454	31,501
RUB	-	75
USD	53,343	-
HRK	11,210	5,468
Total	1,565,756	1,479,752

19.4 Undrawn bank credit facilities

	December 2008	December 2007
Expiring within one year	63,383	46,246
Expiring after one year	238,200	285,695
Total	301,583	331,941

The decrease in undrawn credit facilities is mainly due to amounts drawn in 2008 for the following projects:

- Sky Office project in Germany (EUR -46.8 million);
- Zlota Tower in Poland (EUR -24.9 million);
- Na Porici and Kotic (phase 2) in Czech Republic (respectively EUR -9.9 million and EUR -6.0 million).

There are also new contracted credit lines in 2008, mainly for the following projects:

- Origo Film Studios in Hungary (EUR 41.0 million);
- H2 Office in Germany (EUR 17.1 million).

19.5 Bank counterparties for borrowings

The table below shows the rating and the balance for some of the major bank counterparties at the balance sheet date.

In Euro million	Rating Agency			December	December
Counter party	Moody's Rating	S&P's Rating	Fitch's Rating	2008	2007
RBS	Aa1	A+	-	304.9	304.9
EuroHypo	A1	A	-	150.2	197.5
CSOB	A1	-	-	80.9	49.5
Erste Bank	Aa3	A	-	57.5	20.4
Unicredit	Aa3	A+	-	47.9	21.5
Calyon	Aa1	AA-	-	39.9	46.3
Fortis Bank Luxembourg (BGL)	A1	A	-	21.5	22.0
KBC Bank	Aa2	A+	-	13.7	-
ING	Aa2	AA	AA	10.8	12.8
Deutsche Bank	Aa1	A+	-	9.7	10.2
Landesbank Berlin	A1	-	AA-	9.6	10.8
Berliner Volksbank	-	A+	-	3.2	6.2
				749.8	702.1

CSOB and KBC Bank are part of the same global KBC group. Total exposition at 31 December 2008 is EUR 94.6 million (EUR 49.5 million at 31 December 2007).

19.6 Exchangeable bonds in Suncani Hvar shares

The acquisition of Suncani Hvar dd has been financed by a private placement of an exchangeable bond issued by the Company under the following terms:

Bonds

Nominal EUR 24,169,193.39

Issue price EUR 26.03

Issue date 30 June 2005

Nominal interest rate 5.5 %

Exchange at the discretion of bondholder between 1 July 2010 and 11 June 2012 in Suncani Hvar dd share, one share for one bond.

Repayment date the non exchanged bonds will be reimbursed at nominal value in cash on 30 June 2012

ISIN XS0223586420

Listing Luxembourg Stock Exchange

As at 31 December 2008, no bond had been exchanged.

The funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a long term derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The derivative component of EUR 1.4 million (EUR 9.3 million in 2007), classified in non-current financial obligations, represents the market value of the call options embedded in the bond (see note 4). This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

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Balance at 31 December 2006	23,172
Interest accumulated during the period	160
Own bonds	-2,704
Balance at 31 December 2007	20,628
Interest accumulated during the period	156
Own bonds	-1,389
Balance at 31 December 2008	19,395

As at 31 December 2008, the market price of Hvar dd shares on the Zagreb Stock Exchange was HRK 39.90 (HRK 180.00 at 31 December 2007). From issue date to 31 December 2008, Orco Property Group has repurchased 164,081 exchangeable bonds (92,221 to 2007).

19.7 Bonds with repayable subscription warrants (“OBSAR 1”)

Orco Property Group launched an exchange offer on the 2012 callable warrants (BSAR 2012) (ISIN code: LU0234878881). Each holder of warrants was entitled to elect to receive, for every 3 BSAR 2012, 1 new share and 3 new BSAR 2014 (ISIN code: XS0290764728). The exchange offer on the 2012 callable warrants for which a prospectus was approved by the Commission de Surveillance du Secteur Financier (CSSF) on 22 October 2007, met considerable success. The offer closed on 16 November 2007 with 1,077,934 2012 callable warrants tendered into the offer (success rate of 98.07%).

As a consequence:

359,287 new shares have been issued.

1,077,861 new 2014 callable warrants (exercise price of EUR 146.39) have been issued. The number of warrants reaches 2,871,021. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2014 callable warrant exercised at EUR 146.39 in 2014.

The number of existing 2012 callable warrants (exercise price of EUR 68.61) is thus reduced to 21,161. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2012 callable warrant exercised at EUR 68.61.

Bonds

Nominal EUR 50,272,605.30

Number of bonds 73,273

Nominal value per bond EUR 686.10

Issue price per bond EUR 682.38

Redemption 18 November 2010

Normal Redemption at par, EUR 686.10 per bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group S.A. share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is equal to or greater than the Exercise Price of the Redeemable Share Subscription Warrants,

at 120% of par, that is EUR 823.32 per Bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is less than the Exercise Price of the Redeemable Share Subscription warrants.

Early Redemption Option for the Group to redeem all bonds at 120% of the par value on any Interest Payment Date subject to one month’s notice to bearers before the early redemption date.

Nominal interest rate 4.5%

ISIN FR0010249599

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Listing Euronext - Paris

Warrants

Number of warrants 21,161 (corresponding to an initial ratio of 15 warrants/issued bond)

Exercise ratio one warrant gives the right to 1.03 share

Exercise price EUR 68.61

Exercise period until 18 November 2012

Early repayment From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01 if the average share price over the last 10 days preceeding 19 November 2007 is higher than EUR 96.05.

ISIN LU0234878881

Listing Euronext - Paris

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 3.7 million reduced by EUR 1.1 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 5.5 million (EUR 3.4 million in 2007), classified in non-current liabilities under the caption Derivative Instruments, represents the market value of the redemption premium granted to the bondholder if the average market price of Orco shares does not reach a certain level before the repayment date. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance at 31 December 2006	41,299
Interest accumulated during the period	1,909
Balance at 31 December 2007	43,208
Interest accumulated during the period	2,280
Balance at 31 December 2008	45,488

19.8 Convertible bonds 2006-2013

Bonds

Nominal EUR 149 999 928

Number of bonds 1 086 956

Nominal value EUR 138.00

Issue price at par value, EUR 138.00

Redemption price if not converted 138.62% of par at EUR 191.29; i.e. a gross yield-to-maturity of 5.65%

Nominal interest rate 1.0%

Normal Redemption the non converted bonds will be reimbursed in cash on 31 May 2013.

Conversion ratio One new share for one bond

Issuance date 01 June 2006

Early Redemption Subject to the one month's notice to bearers before the early redemption date, the Company may redeem all bonds from 1 July 2008 under the condition that the share price of Orco Property Group exceeds 130 % of the issue price during 30 consecutive days after 1 June 2008. The bondholders who did not convert within 30 days will, on top of the par and accrued interest, receive a reimbursement premium giving them a 5.65 % IRR

ISIN FR0010333302

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Listing Euronext - Paris

Balance at 31 December 2006	120,208
Interest accumulated during the period	11,175
Own bonds	-1,621
Balance at 31 December 2007	129,762
Interest accumulated during the period	13,599
Own bonds	-8,317
Balance at 31 December 2008	135,044

As at 31 December 2008, no bond had been converted.

The funds raised with this convertible bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 27.3 million reduced by EUR 7.9 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the call options embedded in the convertible bond.

As disclosed above, the terms of the issuance include a redemption premium to be paid by the Group if the bond is not converted. In accordance with IAS 32 prescriptions, this premium is amortized as interest over the lifetime of the bond.

As at 31 December 2008 Orco Property Group owned 76,279 bonds (12,237 in 2007).

19.9 CZK 1.4 billion floating rate bond (“Czech Bond”)

Bonds

Nominal CZK 1 400,000,000
Number of bonds 140
Nominal value CZK 10,000,000
Issue price CZK 10,000,000
Nominal interest rate 6M Pribor + 2.20%
Issuance date 03 February 2006
Final redemption date 03 February 2011
ISIN CZ0000000195
Listing Prague Stock Exchange

Balance at 31 December 2006	50,408
Interest accumulated during the period	124
Translation differences	1,674
Balance at 31 December 2007	52,206
Interest accumulated during the period	321
Repayment	-38,742
Translation differences	-2,710
Balance at 31 December 2008	11,075

The prospectus related to the Czech Bond has been approved on 26 January 2006 by the Securities Commission of the Czech Republic (the "Czech Bond Prospectus"). There are 2 Czech Rating Agencies (the “CRA”) ratings outstanding at the date of the issuance of the Czech Bonds: "czP-2" for the long term international CRA rating and "czA-" for the long term local CRA rating. Furthermore the Czech Bond Prospectus states that if CRA withdraws the above-mentioned ratings, the Company shall ask a well-known rating agency in the Czech Republic to issue a rating within 6 months. If CRA or any other rating agency issues a long-term international CRA rating below “investment grade i.e. Baa-“ or a long term local CRA rating below “investment grade i.e. czBaa-“, any investor in the

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Czech Bonds may call for the reimbursement of its bonds. The reimbursement would then be due on the last business day of the month following the month of the reimbursement request. On the Company's initiative, Moody's International has issued two ratings: "B2" and "Baa3cz". Since its complete integration within Moody's, CRA cannot issue international ratings any more, but merely local ratings. However, the scale established by CRA in the Czech Bond Prospectus, setting the minimum threshold to "investment grade" for international rating does not fit with the Moody's "investment grade" level. Hence, there is a comparability technical default in relation to the Czech Bonds.

No new bonds have been issued in 2008.

Based on requests for early redemption received from individual holders following the downgrade of rating by Moody's, the Group has reimbursed 110 bonds (out of 140 outstanding) amounting to 1,100,000,000 CZK.

See note 4.2 for covenants and note 33 explaining the non-repayment of the balance in 2009 due to the "Procédure de Sauvegarde".

19.10 Bonds with repayable subscription warrants ("OBSAR 2")

Refer to the note on the OBSAR 1 concerning the exchange offer relative to the 2012 callable warrants.

Bonds

Issuer Orco Property Group SA

Nominal EUR 175,000,461.60

Number of bonds 119,544

Nominal value per bond EUR 1,463.90

Issue price per bond EUR 1,421.45

Redemption 28 March 2014

Redemption price 117.5% of par at EUR 1,720.08, i.e. a gross yield-to-maturity of 7.383%.

Nominal interest rate 2.5%

ISIN XS0291838992 / XS0291840626

Listing Euronext - Brussels

Warrants

Number of warrants 1,793,160 at issuance (corresponding to 15 warrants/issued bond)

2,871,021 after the public exchange offer on the OBSAR 1

Exercise ratio one warrant gives the right to 1.03 share

Exercise price EUR 146.39

Exercise period until 28 March 2014

Early repayment From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceeding period of 30 consecutive dealing days exceeds EUR 190.31.

ISIN XS0290764728

Listing Euronext - Brussels

Euronext - Paris

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The funds raised with this bond have been, at issuance, divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 23.9 million reduced by EUR 6.9 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond.

Debt component on issue	139,986
Interest accumulated during the period	5,645
Own bonds	-2,056
Balance at 31 December 2007	143,575
Interest accumulated during the period	8,094
Own bonds	-8,952
Balance at 31 December 2008	142,717

As at 31 December 2008 Orco Property Group owned 8,533 bonds (1,701 in 2007).

19.11 Bonds with repayable subscription warrants (“OBSAR OG”)

Bonds

Issuer Orco Germany SA

Nominal EUR 100,100,052

Number of bonds 148,077

Issue price per bond at par value, EUR 676

Maturity date 30 May 2012

Redemption price at 100% or at 125% of par, depending on the occurrence of specific external events, namely the market price of Orco Germany S.A.

Nominal interest rate 4%

ISIN XS0302623953

Listing Luxembourg Stock Exchange

Warrants

Number of warrants 9,328,851 (corresponding to 63 warrants/issued bond)

Exercise ratio one warrant gives the right to one share

Exercise price EUR 16.90 or 125% of the reference share price of Orco Germany S.A. if the latter is lower than EUR 13.52 per share

Exercise period 30 May 2007 until 30 May 2014

Early repayment From 30 May 2010, the issuer may, upon notice to the warrant holders, redeem the warrants at EUR 0.01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceding period of 30 consecutive dealing days

ISIN XS0302626899

Listing Luxembourg Stock Exchange

The funds raised with this bond have been, at issuance, divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 13.5 million reduced by EUR 3.9 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 7.6 million (EUR 8.5 million in 2007) classified in non-current financial liabilities under Derivative Instruments, represents the market value of the redemption premium granted to the bondholders if the average market price of Orco Germany shares does not reach a certain level before the repayment date. This derivative is revalued at its market value at each closing through the income

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statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Debt component on issue	81,656
Interest accumulated during the period	1,776
Balance at 31 December 2007	83,432
Interest accumulated during the period	3,361
Balance at 31 December 2008	86,793

As at 31 December 2008 Orco Property Group owned 4,507,311 warrants (2.937.331 in 2007).

19.12 Derivatives

Derivative instruments are presented within other current assets when fair value is positive, in other current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

Derivatives used by the Group include interest rate derivatives, foreign exchange forward contracts, share derivatives and embedded derivatives on bonds.

Share derivatives represent call options on Suncani Hvar shares. The derivatives classified in assets were exercised at HRK 100.00 in 2008, the ones classified in liabilities correspond to the options issued with exchangeable bonds (see note 19.6 and 4.1).

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates.

Foreign exchange derivatives include agreements to buy or sell a quantity of currency at a predetermined future date and rate. Orco Property Group uses foreign exchange derivatives in USD, HUF and CZK to cover financing needs for the development of Czech and Hungarian projects and the Radio Free Europe project in the Czech Republic.

Embedded derivatives on bonds correspond to the derivatives embedded on the OBSAR (see notes on the specific bonds 19.7 and 19.11).

Orco Property Group uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates. As at 31 December 2008 the total debt covered by interest rate swaps and collars amounts to EUR 738.6 million (EUR 603.9 million in 2007) or 71.7% of the floating rate debt (65.8% in 2007).

	December 2008	December 2007
Share derivatives	-	14,378
Interest rate derivatives	260	2,063
Forex derivatives	4,838	5,955
Total current assets	5,098	22,396
Share derivatives	1,430	9,336
Embedded derivatives on bonds	13,487	11,817
Total non-current liabilities	14,917	21,153
Forex derivatives	2,748	3,981
Interest rate derivatives	35,634	891
Total current liabilities	38,382	4,872
Net derivatives	-48,201	-3,629

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19.13 Net interest expenses

	December 2008	December 2007
Interest income	10,110	8,911
Interest expenses	-74,719	-66,345
Net interest expenses	-64,609	-57,434

19.14 Capitalised interests on inventories and properties under development

	December 2008	December 2007
Inventories	14,745	7,854
Properties under development	7,371	4,329
Capitalised interests	22,116	12,183

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19.15 Average effective interest rates (current and non current)

December 2008						
	EUR	CZK	SKK	PLN	HRK	USD
Bonds	8.25%	6.20%	-	-	-	-
Bank borrowings	3.82%	5.52%	4.62%	7.31%	4.18%	5.03%
December 2007						
	EUR	CZK	SKK	PLN	HRK	USD
Bonds	7.91%	5.19%	-	-	-	-
Bank borrowings	5.83%	5.69%	5.67%	6.47%	4.88%	-

19.16 Minimum lease payments

	December 2008	December 2007
More than 5 years	4,317	4,421
Future finance charges on finance leases	-3,191	-3,290
Present value of finance lease liabilities	1,126	1,131

Provisions & other long term liabilities

This caption includes other long term liabilities for EUR 13.0 million (EUR 4.1 million in 2007) representing mainly retention on general contractors' invoices when applicable. The provisions amount of EUR 16.6 million in 2008 (compared to EUR 14.1 million in 2007) includes mainly provisions accumulated to cover the Group's retirement benefit obligation as detailed hereafter and provisions for restructuring (EUR 3.2 million, nil in 2007). The restructuring plan foresees redundancy for more than 200 employees.

Retirement benefit obligation:

In the Group, only Orco Projektentwicklungs GmbH (formerly Viterra Development GmbH) and Viterra Baupartner GmbH (acquired in 2006) have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet.

	December 2008	December 2007
Present value of unfunded obligations	7,964	7,934
Unrecognised actuarial gains	1,827	2,187
Liabilities in the balance sheet	9,791	10,121

The movement in the defined obligation over the year is as follows:

	December 2008	December 2007
Beginning of year	7,934	9,237
Current service cost	85	156
Interest cost	426	386
Actuarial gains	-90	-1,470
Benefits paid	-391	-375
End of year	7,964	7,934

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The principal actuarial assumptions used were as follows:

	December 2008	December 2007
Discount rate	5.85%	5.50%
Future salary increases	2.75%	2.75%
Future pension increases	2.00%	2.00%

Liquidity and cash flow interest rate risk

The liquidity risk is the risk that Orco Property Group might encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close at market positions. The Orco management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties (see note 2.1).

The average residual lifetime of the Group's financial loans is 4.06 years (4.53 in 2007). Concerning the liquidity risk of the Group, due to the variability of floating interest rates, it is important to analyse the cash flow risk inherent to the floating rate loans and derivatives that will vary over time depending on the market conditions. Other debt instruments have been described in note 19.

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2008 to the contractual maturity date.

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

The specific time buckets presented are not mandated by the standard but are based on a choice by management.

At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans	-146	-24,590	-5,332	-445,157	-220,104	-695,329
Floating rate loans	-69,688	-111,987	-132,214	-652,972	-229,111	-1,195,972
Interest rate derivatives	898	-4,442	-8,111	-22,630	-4,337	-38,622
Forex derivatives	-	-1,220	-55,747	-11,133	-	-68,100
Embedded derivatives on bonds	-	-	-	-35,080	-	-35,080
Total	-68,936	-142,239	-201,404	-1,166,972	-453,552	-2,033,103

At 31 December 2007	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans	-1,658	-20,340	-18,592	-256,684	-377,576	-674,850
Floating rate loans	-17,372	-61,807	-89,375	-794,157	-152,123	-1,114,834
Interest rate derivatives	187	-182	1,197	-8,256	-33	-7,087
Forex derivatives	-	-8,000	-71,698	-	-	-79,698
Embedded derivatives on bonds	-	-	-	-35,080	-	-35,080
Total	-18,843	-90,329	-178,468	-1,094,177	-529,732	-1,911,549

The floating rate loans line presents the projected cash flows, including interests and the reimbursements of the principal, on all the Group's floating rate loans. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2008.

Interest rate swaps, collars and forex derivatives used by the Group are detailed in the note 19.12 Derivatives.

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As at 31 December 2008, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2009 of EUR 2.2 million. Before the positive impact of derivatives, the increase of interest expenses in 2009 would amount to EUR 7.5 million.

As at 31 December 2007, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2008 of EUR 1.3 million. Before the positive impact of derivatives, the increase of interest expenses in 2008 would amount to EUR 6.2 million.

Current financial liabilities are presented below and do not include derivatives instruments:

At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	-41,124	-122,327	-146,385	-309,836
Trade payables	-41,064	-9,207	-9,247	-59,518
Advance payments	-5,532	-7,684	-47,904	-61,120
Other current liabilities	-10,338	-44,879	-30,206	-85,423
Total	-98,058	-184,097	-233,742	-515,897

At 31 December 2007	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	-12,240	-18,510	-144,466	-175,216
Trade payables	-25,589	-17,943	-6,688	-50,220
Advance payments	-1,917	-16,588	-83,173	-101,678
Other current liabilities	-10,213	-26,001	-5,014	-41,228
Total	-49,959	-79,042	-239,341	-368,342

The other current liabilities excluded in this table (as not being part of the IFRS definition of financial instruments) represent tax, payroll and social liabilities.

Other operating expenses

	December 2008	December 2007
Leases and rents	-6,007	-5,097
Building maintenance and utilities supplies	-32,546	-15,280
Marketing and representation costs	-14,368	-12,616
Administration costs	-30,590	-26,778
Taxes other than income tax	-7,333	-6,289
Other operating expenses	-8,416	-11,261
Total other operating expenses	-99,260	-77,321

The increase in building maintenance and utilities supplies costs is mainly due to the German companies (EUR -17.0 million in 2008 compared to EUR -6.4 million in 2007) with GSG contributing only 6 months to the 2007 operating expenses while contributing 12 months in 2008.

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Foreign exchange result

	December 2008	December 2007
Foreign exchange result from revaluation of investment property	4,046	-8,146
Other foreign exchange result	-25,240	2,484
Total	-21,194	-5,662

Other net financial results

	December 2008	December 2007
Change in fair value of derivative instruments	-24,868	-7,717
Change in fair value and realised on other financial assets	-13,831	3,891
Other net finance charges	-3,140	-6,937
Other net financial results	-41,839	-10,763

Change in the fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Group and in fair value of other derivatives (IRS, options and forwards). Please refer to note 19 and note 4.1 for further details.

Change in the fair value of other financial assets essentially relates to financial assets at fair value through profit and loss (mainly investment in Endurance Sub-funds for EUR - 5.4 million) and to short term trading instruments within the treasury management (mainly Les Nouveaux Constructeurs for EUR - 5.9 million).

In 2007, there are some other finance charges, among which early repayment fees of pre-acquisition GSG loans (EUR 2.9 million), and withholding tax on interests paid by Polish subsidiaries to Luxembourg Group entities (EUR 0.4 million).

Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes of one entity relate to the same fiscal authority. All deferred taxes are supposed to be recoverable after more than 12 months.

	December 2007	Scope Variation	Variation	Other	Translation differences	Change in %	December 2008
Intangible assets	-2,040	-	115	-84	17	-159	-2,151
Tangible assets	-231,589	5,855	47,008	26,420	936	9,277	-142,093
Financial assets	701	50	1,315	1,076	5	-75	3,072
Inventories	-3,871	34	11,399	-15,324	598	624	-6,540
Current assets	-17	3	-3,019	-584	2	-315	-3,930
Equity	1,441	-	-1,375	-1,308	6	-41	-1,277
Provisions	101	33	-523	193	4	-4	-196
Long term debts	-17,459	118	718	249	86	137	-16,151
Current debts	-	-29	4,517	-38	-5	-23	4,422
Recognized loss carry forward	22,541	-305	-9,684	-8,032	-155	-73	4,292
Total Deferred taxes	-230,192	5,759	50,471	2,568	1,494	9,348	-160,552
Deferred tax assets	13,748						7,352
Deferred tax liabilities	-243,940						-167,904

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	December 2006	Scope variation	Total change in income statement	Change in equity	Translation differences	December 2007
Intangible assets	326	-2,789	440	-17	-	-2,040
Tangible assets	-78,928	-114,478	-11,439	-25,457	-1,287	-231,589
Financial assets	-325	-	1,026	-	-	701
Inventories	-4,476	-	621	18	-34	-3,871
Current assets	-35	-91	109	-	-	-17
Provisions	89	-	-45	57	-	101
Equity	-	79	1,362	-	-	1,441
Long term debts	-9,134	-49	2,483	-10,759	-	-17,459
Current debts	-	-855	872	-17	-	-
Recognized loss carry forward	10,301	-	12,489	-	-249	22,541
Total Deferred taxes	-82,182	-118,183	7,918	-36,175	-1,570	-230,192
Deferred tax assets	6,566					13,748
Deferred tax liabilities	-88,748					-243,940

	December 2008	December 2007
Profit/(loss) before tax	-514,413	103,263
Tax calculated at domestic rates applicable to profits in the respective countries	-118,729	32,318
Tax effects of:		
Untaxed gains or losses	3,908	967
Undeductible charges and interests	11,431	-7,859
Unrecognised loss carry forward	60,757	6,501
Profits with another applicable tax rate	1	503
Remeasurement of deferred tax - change in tax rates	-7,766	-33,061
Adjustments from previous years	-197	-1,710
Tax charge	-50,595	-2,341

In 2008

The income tax rates in the Group vary from 16% in Hungary up to an average of 33.33% in France.

In 2008, the theoretical tax rate is 23.08% (31.95% in 2007) and the effective tax rate of the period is 9.84% (2007: 2.27%). The income tax benefit recognized in the income statement amount to EUR 51.0 million and composed of EUR 8.9 million of current income tax expenses and EUR 59.9 million of deferred income taxes gain arising from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 62.0 million).

In 2007

The income tax rates in the Group vary from 16% in Hungary up to an average of 39% in Germany.

In 2007, the theoretical tax rate is 31.95% before reduction of tax rates in Germany and Czech Republic applicable as from 2008 (2006: 24.54%).

The effective tax rate of the period is 2.27% (2006: 20.39%). Without the impact of tax rates decrease in Germany and the Czech Republic, the effective tax rate for 2007 would be have been 33%.

The income taxes recognized in the income statement amount to EUR 2.3 million and composed of EUR 10.2 million of current income tax expenses and EUR 7.9 million of deferred income taxes gain.

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The gain on deferred income taxes mainly arise on the decrease in income tax liabilities (EUR 32.2 million) due to the decrease in the average tax rate in Germany from 39% to 31% and in the Czech Republic from 24% to 21%. The decrease in tax rate affects mainly deferred taxes on tangible assets, which explains the decrease of EUR 11.4 million. In the coming years the tax rate in the Czech Republic will further decrease to 19%.

The change in equity represents the deferred taxes recognized on the share subscription rights embedded in the OBSAR bonds because they have been immediately recognized in equity which are slightly offset by the reversal of deferred taxes on the partial conversion of bonds issued in 2004 and on the revaluation of buildings located in single asset companies since such acquisitions are not considered as business combination under IFRS.

The deferred tax liability on scope variation represents mainly the deferred tax liabilities arising from the acquisition of GSG (EUR 98.8 million) and Molcom (EUR 21.5 million), and the decrease in deferred tax liabilities due to the sale of 50% of the hotel portfolio to AIG (EUR -2.2 million).

Earnings per share

	December 2008	December 2007
At the beginning of the period	10,687,392	8,389,646
Shares issued	10,836,794	8,389,646
Treasury shares	-149,402	-
Weighted average movements	-115,772	1,170,407
Issue of new shares	63,070	1,234,973
Treasury shares	-178,842	-64,566
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	10,571,620	9,560,053
Dilutive potential ordinary shares	-	966,412
Share subscription rights BSAR 2012	-	371,662
Employee stock options	-	44,750
PACEO	-	550,000
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	10,571,620	10,526,465
Net profit/(loss) attributable to the Group	-390,560	87,508
Effect of assumed conversions / exercises	-	2,453
Share subscription rights BSAR 2012	-	1,165
PACEO	-	1,288
Effect of assumed conversions of potential ordinary shares in subsidiaries	-	-184
Orco Germany Warrants	-	-184
Net profit/(loss) attributable to the Group after assumed conversions / exercises	-390,560	89,777
Basic earnings in EUR per share	-36.94	9.15
Diluted earnings in EUR per share	-36.94	8.53

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

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

In February 2006 the Board of Directors of Orco Germany decided to allocate one warrant to each 350,000 existing share at that time. Three warrants giving the right to subscribe to one new share (see note 27). After the Extraordinary General Meeting of Orco Germany's shareholders voted the division by 8 of the existing shares and the attached warrants. As a result the 2,800,000 warrants have an exercise price of EUR 4.63 a share and can be exercised up to February 2009.

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Equity holders
Share capital

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

2008

The Extraordinary Shareholders' Meeting of 8 July 2008 renewed the authorisation granted by shareholders to the Board of Directors on May 18, 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorised capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorised capital of EUR 300,000,001.20 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorised capital.

The Board of Directors has been authorised and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 08 July 2013.

A total of EUR 44,869,850.60 has been used to date under this authorisation. As such, the Board of Directors still has a potential of EUR 255,130,150.60 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 62,226,866, new shares may still be created.

During the year, the Group repurchased 67,184 shares for an amount of EUR 4.1 million and sold 90,720 shares for an amount of EUR 1.9 million.

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

Callable warrants on OPG shares

On 18 February 2008, the Board of Directors has decided to decrease the strike price of the 2014 callable warrants (ISIN code: XS0290764728) from EUR 143.39 to EUR 100.00. As at 31 December 2008, no warrants have been exercised.

2007

In March 2007 the Group proceeded to the redemption before due date of the convertible bonds 2004-2011, ISIN code FR00101018704. The bondholders had the possibility to convert their bonds at the conversion ratio of 1 bond for 1 share until 19 March 2007. The bondholders who did not convert their bonds at this date received a supplementary interest assuring them for the total length of their investment a gross redemption return on the basis of 8%. The total amount of the reimbursement was EUR 34.94 per bond (interest from 1 January 2007 to 26 March 2007 of EUR 0.42 on the nominal of EUR 32.40, increased by a reimbursement premium of EUR 2.12).

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In June 2007 a capital increase of 1,500,000 new shares at EUR 115.00 per share has been successfully issued, with high demand from a broad range of institutional investors, for admission to trading and listing on the Warsaw and Budapest Stock Exchanges. The Group's shares are now trading on four stock exchanges in Europe.

As at 29 October 2007, the Group launched an exchange offer on the ORCBR 2012 warrants. Each holder of warrants ORCBR 2012 was entitled to elect to receive, for every 3 ORCBR 2012 warrants 1 new share and 3 new ORCOW 2014 warrants. As a consequence 1,077,934 ORCBR 2012 warrants have been tendered into the offer (success rate of 98.07%) and 359,287 new shares have been issued.

Convertible bonds

See note 19.8

Repayable subscription warrants

See note 19.7, 19.10 and 19.11

Employee stock options

No new stock option plan has been granted in 2008.

On 3 March 2006, a stock option plan was granted to employees under the following conditions:

Exercise price: EUR 75.6 per share
 Exercise period: from 3 March 2007 until 3 March 2012
 Total number of options: 350,000

In accordance with IFRS 2 share-based payments, the total theoretical and non-cash cost of EUR 9.1 million has been estimated and is amortized in the income statement under the Employee benefit caption over the one year vesting period. 2008 amortization amounts to nil (EUR 1.5 million in 2007). This fair value was determined using the Black-Scholes valuation model. The significant input into the valuation model were share price of EUR 72.15 at grant date, exercise price as stated above, risk-free interest rate Euribor.

Movements in the number of share options:

	2008		2007	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
Outstanding at the beginning of the year	75.60	63,000	73.67	367,500
Granted	-	-	-	-
Exercised	-	-	73.27	-304,500
Outstanding at the end of the year	75.60	63,000	75.60	63,000

Dividends per share

The dividends paid in 2008 and 2007 were EUR 14.9 million (EUR 1.40 per share) and EUR 8.6 million (EUR 1.00 per share) respectively. The Board of Directors has decided to not propose any dividend payment at the Annual General Meeting of Orco Property Group S.A..

PACEO

On 12 April 2006, Orco Property Group S.A. and Société Générale in Paris ("SG") have arranged a new Step-up Equity Subscription. It allows the Group to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 31 December 2006, the Company has issued 450,000 new shares for a total amount of EUR 43.8 million.

In 2007, no shares have been issued under the existing PACEO program. As at 31 December 2007, the program is still open for the issue of 550,000 new shares until 12 April 2008.

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

Contingencies

The Group has given guarantees in the ordinary course of business (see note 19.3).

As at the publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability.

Capital and other commitments

Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at December 2008, the remaining balances to be called amount to:

EUR 13.5 million out of EUR 21.9 million subscribed for the residential sub-fund (EUR 14.5 million in 2007);

EUR 4.3 million out of EUR 27.0 million subscribed for the office sub-fund (EUR 4.3 million in 2007);

EUR 28.8 million out of EUR 30.0 million subscribed for the office II sub-fund (the sub-fund did not exist in 2007).

- 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 December 2008 amount to EUR 0.8 billion (EUR 1.9 billion in 2007). This does not take into account the potential investments in future projects on land bank like Bubny in Prague, Wertheim in Berlin or hotels to be refurbished in Suncani Hvar.

- End of 2007, the Group entered into an agreement for the acquisition of a retail building under construction to be delivered in 2009. This engagement of USD 300 million is covered by an advance payment of USD 25 million. This advance payment recorded in the consolidated financial statements as a long term receivable was fully impaired as at December 2008.

Bank loans covenants (see note 3.2 and 19.2)

Other commitments

In a decision taken on 3 March 2006, the Board of Directors granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 million. This indemnity would become payable by the Company to the relevant management member only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

Related party transactions

Transactions with key management personnel

(a) Remuneration of key management personnel

The global consideration given as short term employee benefit to the members of the Executive Committee amounted to EUR 6.4 million as at 31 December 2008 (EUR 9.6 million in 2007).

In 2007, Board members received a EUR 1,000 attendance fee for each Board. Beginning of 2008, the Board decided to grant attendance fee of EUR 5,000 only to non executive members. End of 2008, the Board decided unanimously to cancel all attendance fee related to the period. In 2007, the total amount of attendance fees allocated amounted to EUR 28,000.

In 2007, in the context of the exclusive service contract dated 1st October 2004 (and addendum dated 30 October 2006) between the Company and OTT&CO S.A. (previously Orco Holding S.A.), a limited liability company ("société anonyme") incorporated under the laws of Luxembourg, Director of the Company, OTT&CO S.A. has received a bonus package amounting to EUR 3 million for the services rendered to the Company by Mr. Jean François Ott (Chairman and Chief Executive Officer of the Company). In 2008, OTT&CO S.A. received an annual remuneration of KEUR 500. In 2008, no bonus has been paid by the Company to Jean-Francois Ott or OTT&CO S.A.

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In a decision taken on 3 March 2006, the Board of Directors of the Company granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 million. In June 2009, the potential termination indemnity payment amounts to EUR 19 million. This indemnity would become payable by the Company to the relevant management member only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

The stock options granted to the employees are detailed in note 27.

(b) Loans and advances with key management personnel

On December 4, 2008, the Company has granted a seller's financing of EUR 1.4 million to Vignette Investissements S.A., a French company managed by one member of the Executive Committee, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company, incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance is granted for a period of 7 years ending on December 31, 2015 and bears an interest rate of 5% per year payable annually.

On 18 July 2007, CJSC MOPT(s)R-MOLCOM, a subsidiary of the Company, has granted a loan RUR 28 million to one of its Director (equivalent EUR 0.7 as at December 31, 2008 and EUR 0.8 as at 31 December 2007). Considering the addendum dated 21 January 2009, this loan has a maturity date on 21 January 2012 and bears an interest rate of 10% per year payable at repayment date.

On 22 February 2007, the Company has granted a loan of EUR 216,068 to OTT&CO S.A. (previously Orco Holding). This loan had a maturity date on 1st March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 31 December 2008, this loan (nominal and interests) has not been repaid, but is expected to be repaid before 30 June 2009.

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

On February 16, 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on March 1st, 2008 and with interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 13,333 new shares of Orco Germany S.A.. As of today, this loan has not been repaid yet.

Mr Steven Davis also benefited from a loan of CZK 1 520 000 (EUR 56 438) from Orco Project Management sro, a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31st December 2008. As of today, the loan has not been repaid yet.

On May 15, 2008, the Company granted a loan of 825,000 USD to a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of May 15th, 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a forest in Chile in order to launch an 'Endurance forest fund' in conjunction with Orco and the Endurance Fund, which failed due to the current financial context. On April 30, 2009, the Ott & Co. subsidiary pledged 90 660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt.

(c) Other transactions with key management personnel

On October 2, 2008, a company owned by Jean-François Ott, has transferred to the Company 71,860 exchangeable bonds in Suncani Hvar shares in exchange of 90,720 shares of the Company. The exchangeable value amounted to EUR 1,870,519.

On December 27, 2007, the Company held in its books a receivable on OTT&CO S.A. (previously Orco Holding S.A.) for an amount of EUR 12,104,862. Pursuant to the terms of the transfer agreement dated December 27, 2007 between the Company, CENTRAL EUROPEAN REAL ESTATE MANAGEMENT S.A. ("CEREM"), a wholly owned subsidiary of the Company, and OTT&CO S.A., it has been agreed that: (i) the Company has transferred the receivable on OTT&CO

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S.A. amounting to EUR 12,104,862 to CEREM; (ii) the Company has declared a receivable of the same amount on CEREM; (iii) OTT&CO S.A. has transferred 788,804 OBSAR 2's redeemable warrants to CEREM to set off on that date its debt for an amount of EUR 12,104,862. The warrants were transferred to the Company at a discount, 23% below the market price on that date. Such warrants have been delivered to CEREM in January 2008.

In 2008, apartments built by the Group in the Czech Republic have been sold to one member of the executive committee for a total amount of EUR 0.3 million (in 2007: EUR 2 million) with an average discount of 6.0% (in 2007: 6.8%) compared to market conditions.

The Company has an investment in NOVY Fund. The cost of such investment amounts to EUR 1.4 million as at December 31, 2008 (EUR 2.0 million as at December 31, 2007) and its fair value amounts to EUR 0.5 million as at December 31, 2008 (EUR 2.9 million as at December 31, 2007). This Fund manager is advised by some key management members of the Company. NOVY Fund is an opportunistic and value-creating fund which provides exposure to the Central European equity and bond market.

In February 2008, Orco Germany S.A. took over development projects in Kleinmachnow "Neue Hakeburg" and "Hochwald" by acquiring the majority in the companies Vivaro GmbH & Co. Grundbesitz KG and Vivaro GmbH & Co. Zweite Grundbesitz KG. The development projects have been initiated by members of the Board of Directors of Orco Germany S.A. The acquisition involves a net investment of approx. EUR 2 million on the basis of valuation report prepared by independent expert.

In the 30 June 2008 interim financial report, the Group declared a receivable of EUR 1,812,500. This receivable was based on the assumption that OTT&CO S.A. had agreed to purchase Orco Germany S.A. warrants. However, in 2009, OTT & CO SA confirmed it never agreed to complete the purchase of those warrants. On June 10, 2009, the Board of Directors of CEREM, discussing and voting on the issue in the absence of Mr. Jean-François Ott as provided by law, concluded that, in absence of an agreement to purchase the warrants, there were insufficient legal grounds to execute the transaction. As a result the receivable is derecognized and the 2007 comparative are adjusted as described in 2.1.5.

Transactions with the Endurance Real Estate Fund

Orco is the sponsor and the fund manager 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". The Group is the shareholder of the management company of the Fund and has also invested in the three sub-fund's existing as at December 2008 (see note 12). The hospitality sub-fund, which was fully consolidated since December 2007, has been liquidated end of September 2008. As at December 2008, the Group's subscription to the office I, office II and residential sub-funds represent respectively 15.73%, 4.57% and 10.60% of the total subscription respectively (in 2007, 16.29%, 0% and 10.89% respectively).

Orco's remuneration from the office and residential sub-funds amounting to EUR 7.6 million in 2008 (EUR 7.6 million in 2007) is linked to:

- the placement fee of a maximum of 2.5% of the committed funds of the investors
- the management fee of 2% per year calculated on the called subscriptions
- acquisition fee of 1% calculated on the value of the assets bought or sold by the fund.

The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

Transactions with other related parties

Beginning of July 2007, Orco has granted a loan of USD 15 million for a term of 6 months and an interest rate of 10% on a yearly basis. This loan has been granted to a company controlled by the

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management of Molcom. This loan has been repaid fully in December 2008. The purpose of this loan was to facilitate future acquisitions of plots of land in Russia.

List of the fully consolidated subsidiaries

Company	Country	Ccy	Activity	% Sharehol ding 31.12.200 8	% Sharehol ding 31.12.200 7
1. Sportovní, a.s.	Czech Republic	CZK	Development	100%	100%
Ambona Kredit s.r.o.	Czech Republic	CZK	Development	100%	100%
Americká 1, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká 33, a.s.	Czech Republic	CZK	Leasing	100%	100%
AMERICKÁ - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká Park, a.s.	Czech Republic	CZK	Leasing	100%	100%
And 70 Kft. (company sold in 2008)	Hungary	HUF	Leasing	/	100%
Anglická 26, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Ariah Kft.	Hungary	HUF	Leasing	100%	100%
Belgická - Na Kozačce, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Blue Yachts, d.o.o.	Croatia	HRK	Hotel	38.88%	/
B.P. Servis, s.r.o. (company sold in 2008)	Czech Republic	CZK	Leasing	/	100%
BRNO CENTRUM, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Brno City Center a.s.	Czech Republic	CZK	Development	100%	100%
Beta Development s.r.o.	Czech Republic	CZK	Holding	/	100%
Bubenska 1 a.s.	Czech Republic	CZK	Leasing	100%	100%
Bubny Development s.r.o.	Czech Republic	CZK	Development	100%	100%
BYTY PODKOVA, a.s.	Czech Republic	CZK	Development	75%	75%
Capellen Invest S.A.	Luxembourg	EUR	Leasing	100%	100%
Central European Real Estate Management S.A.	Luxembourg	EUR	Management	100%	100%
Certuv Ostrov, a.s.	Czech Republic	CZK	Development	100%	100%
City Gate s.r.o.	Slovakia	SKK	Development	100%	100%
CWM 35 Kft.	Hungary	HUF	Leasing	100%	100%
Development Doubovská, s.r.o.	Czech Republic	CZK	Development	100%	100%

ORCO PROPERTY GROUP					
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Republic					
Diana Development Sp. z.o.o. (company sold in 2008)	Poland	PLN	Extended stay	/	100%
Diana Property Sp. z.o.o.	Poland	PLN	Extended stay	100%	/
Domain Sp. z.o.o. (previously Orco Strategy Sp. z.o.o.)	Poland	PLN	Development	100%	100%
Endurance Advisory Company S.A.	Luxembourg	EUR	Hotel	100%	/
Endurance Hospitality Assets S.à r.l.	Luxembourg	EUR	Hotel	88%	88%
Endurance Hospitality Finance S.à r.l.	Luxembourg	EUR	Hotel	88%	88%
Endurance Hospitality sub-fund (liquidated)	Luxembourg	EUR	Management	/	88%
Endurance Real Estate Management Company S.A.	Luxembourg	EUR	Management	100%	100%
Energia Jeden Sp. z.o.o. (previously Orco Idea Sp. z.o.o.)	Poland	PLN	Development	100%	100%
Etoile d'or S.A. (company sold in 2008)	Luxembourg	EUR	Leasing	/	100%
Hagibor Office Building a.s.	Czech Republic	CZK	Leasing	100%	100%
IPB Real Reality, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, s.r.o.	Czech Republic	CZK	Development	100%	100%
Izabella 62-64 Kft. (company sold in 2008)	Hungary	HUF	Development	/	100%
Jeremiašova Invest s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Jihovýchodni Mesto, a.s.	Czech Republic	CZK	Development	75%	100%
Karousa Enterprises Company Limited	Cyprus	USD	Development	69%	70%
Londýnská 26, a.s.	Czech Republic	CZK	Leasing	100%	100%
Londýnská 39, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Londýnská 41, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
M & O Sp. z.o.o.	Poland	PLN	Development	100%	/
MÁCHOVA - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Mánesova 28, a.s.	Czech Republic	CZK	Leasing	100%	100%
Meder 36 Projekt Kft.	Hungary	HUF	Leasing	100%	100%
Megaleiar a.s.	Czech Republic	CZK	Development	100%	/
Mikhailovka o.o.o.	Russia	RUB	Development	100%	/
Mikhailovka Land o.o.o.	Russia	RUB	Development	100%	/
MMR Management, s.r.o.	Czech Republic	CZK	Holding	90%	100%
MOLCOM CJSC	Russia	RUB	Leasing	69%	70%
MS-Invest o.o.o.	Russia	RUB	Development	69%	70%
Na Poříčí a.s.	Czech Republic	CZK	Leasing	100%	100%

ORCO PROPERTY GROUP					
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	Czech				
Nad Petruskou, s.r.o.	Republic	CZK	Leasing	100%	100%
	Czech				
NOVÉ MEDLÁNKY a.s.	Republic	CZK	Development	100%	100%
	Czech				
Nupaky a.s.	Republic	CZK	Development	100%	100%
	Czech				
N W D C Company spol. s.r.o.	Republic	CZK	Development	51%	51%
	Czech				
Oak Mill, a.s.	Republic	CZK	Development	100%	100%
Obonjan Rivijera d.d.	Croatia	HRK	Development	50%	/
Office II Invest S.A.	Luxembourg	EUR	Holding	50.32%	/
	Czech				
Onset, a.s.	Republic	CZK	Development	100%	100%
Orco Adriatic d.o.o.	Croatia	HRK	Development	100%	100%
Orco Blumentalska a.s. (previously ORCO Project, s.r.o.)	Slovakia	SKK	Development	100%	100%
Orco Budapest Zrt.	Hungary	HUF	Leasing	100%	100%
Orco Commercial Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Construction Sp. z.o.o.	Poland	PLN	Development	75%	75%
Orco Croatia S.A. (liquidated)	Luxembourg	EUR	Hotel	/	100%
Orco Development Kft.	Hungary	HUF	Development	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Development	75%	75%
ORCO Development, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO Enterprise Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Estate Sp. z.o.o.	Poland	PLN	Development	100%	100%
	Czech				
ORCO ESTATE, s.r.o.	Republic	CZK	Development	100%	100%
ORCO Estates, s.r.o.	Slovakia	SKK	Development	100%	100%
	Czech				
Orco Financial Services s.r.o.	Republic	CZK	Fin. Services	100%	100%
Orco Hotel Development Sp z.o.o. (company sold in 2008)	Poland	PLN	Hotel	/	100%
Orco Hungary Kft.	Hungary	HUF	Leasing	100%	100%
Orco Investment Kft.	Hungary	HUF	Leasing	100%	100%
	Czech				
ORCO INVESTMENT, a.s.	Republic	CZK	Development	100%	100%
Orco Logistic Sp. z o.o.	Poland	PLN	Development	100%	100%
Orco Poland Sp. z.o.o.	Poland	PLN	Development	100%	100%
	Czech				
ORCO Praga s.r.o.	Republic	CZK	Development	75%	75%
	Czech				
ORCO Prague, a.s.	Republic	CZK	Leasing	100%	100%
ORCO Project Management, s.r.o. (merged into Orco Prague a.s.)	Czech				
	Republic	CZK	Development	/	100%
Orco Project Sp. z.o.o.	Poland	PLN	Development	100%	100%
	Czech				
ORCO Property Management, a.s.	Republic	CZK	Leasing	100%	100%
Orco Property Sp. z.o.o.	Poland	PLN	Development	75%	75%
Orco Razvoj d.d.	Croatia	HRK	Development	100%	100%
ORCO Residence, s.r.o.	Slovakia	SKK	Development	100%	100%

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Orco Residential Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Russian Retail S.A. (previously Orco Capitol S.A.)	Luxembourg	EUR	Leasing	100%	100%
ORCO Slovakia, s.r.o.	Slovakia	SKK	Development	100%	100%
Orco Vagyonkezelő Kft.	Hungary	HUF	Leasing	100%	100%
ORCO Vinohrady, a.s.	Czech Republic	CZK	Leasing	100%	100%
Orco Vision Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco-Molcom B.V.	Netherlands	EUR	Development	69%	70%
Orco Molcom o.o.o.	Russia	RUB	Development	69%	70%
Otrada Development o.o.o.	Russia	RUB	Development	/	42%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Palito, a.s.	Czech Republic	CZK	Development	100%	/
Pivovar Stein, a.s. (merged into Orco Blumentalska a.s.)	Slovakia	SKK	Development	/	100%
Ponari Enterprises Company Limited (company sold in 2008)	Cyprus	USD	Development	/	70%
Private Security Enterprise "MOLCOM" CJSC	Russia	RUB	Leasing	69%	70%
První Kvintum Praha a.s.	Czech Republic	CZK	Development	100%	100%
Residence Belgická, s.r.o. (company sold in 2008)	Czech Republic	CZK	Extended stay	/	100%
RESIDENCE MASARYK, a.s.	Czech Republic	CZK	Leasing	100%	100%
Révay 10 Kft. (company sold in 2008)	Hungary	HUF	Leasing	/	100%
Salinoko Ltd. (liquidated in 2008)	Cyprus	USD	Leasing	/	100%
Seattle, s.r.o.	Czech Republic	CZK	Development	100%	100%
Stein, s.r.o.	Slovakia	SKK	Development	100%	100%
SUNČANI HVAR d.d.	Croatia	HRK	Hotel	55.55%	47.56%
Svatý Václav s.r.o. (merged into Certuv Ostrov, a.s.)	Czech Republic	CZK	Development	/	100%
Theonia Enterprises Company Ltd	Cyprus	USD	Development	100%	/
TO Green Europe, a.s.	Czech Republic	CZK	Development	100%	100%
TQE Asset, a.s.	Czech Republic	CZK	Leasing	100%	100%
VINOHRADY S.à r.l.	France	EUR	Holding	100%	100%
Viterra Development Ceska, s.r.o.	Czech Republic	CZK	Development	100%	100%
Viterra Development Polska Sp. z.o.o.	Poland	PLN	Development	100%	100%
Yuli Kft.	Hungary	HUF	Leasing	100%	100%
Záhřebská 35, s.r.o.	Czech Republic	CZK	Leasing	100%	100%

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Orco Germany S.A.

Luxembourg EUR

Leasing

56.79%

56.79%

Hereafter follows the list of Orco Germany S.A.'s direct and indirect subsidiaries, showing the percentage of shareholding of Orco Germany S.A in them

An den Gärten GmbH	Germany	EUR	Development	100%	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.8%	94.8%
Cybernetyki Business Park Sp. z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	100%
Endurance HC Alpha S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Epsilon S.à r.l.	Luxembourg	EUR	Development	100%	/
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Development	100%	100%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	100%
GSG 1. Beteiligungs GmbH	Germany	EUR	Leasing	99.75%	/
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	99.75%	/
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	99.75%
Isalotta 1. GmbH (merged into GSG)	Germany	EUR	Leasing	/	100%
Isalotta 3. GmbH (merged into GSG)	Germany	EUR	Leasing	/	94.99%
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	94.99%
Lora Grundbesitz GmbH	Germany	EUR	Leasing	100%	100%
Orco Berlin Invest GmbH	Germany	EUR	Development	100%	100%
Orco Germany Investment S.A.	Luxembourg	EUR	Holding	100%	100%
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100%	100%
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH	Germany	EUR	Development	100%	100%
Orco Projekt 103 GmbH	Germany	EUR	Leasing	100%	75%
ORCO Projektentwicklung GmbH (previously Viterra Development GmbH)	Germany	EUR	Development	100%	100%
Orco Vermietungs- und Services GmbH	Germany	EUR	Development	100%	100%
PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH	Germany	EUR	Development	94.8%	94.8%
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%

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			ent		
Stauffenbergstr. Drei GmbH	Germany	EUR	Developm	100%	100%
Tucholskystr.39/41 GmbH & Co.			ent		
Grundbesitz KG	Germany	EUR	Leasing	100%	100%
Viterra Baupartner GmbH	Germany	EUR	Developm	100%	100%
Viterra Erste PEG mbH	Germany	EUR	ent	100%	100%
Viterra Zweite PEG mbH	Germany	EUR	Developm	100%	100%
Viterra Vierte PEG mbH (merged into			ent		
ORCO Projektentwicklung GmbH)	Germany	EUR	Developm	/	100%
Viterra Fünfte PEG mbH	Germany	EUR	ent	100%	100%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Developm	100%	100%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	ent	94.34%	/
Vivaro GmbH & Co. Zweite			Developm		
Grundbesitz KG	Germany	EUR	ent	94.34%	/
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Developm	100%	/
Westendstr. 28 Ffm GmbH	Germany	EUR	ent	94%	94%

List of the joint-ventures

32.1 Kasic S.à.r.l.

The Group has a 50% interest in Kasic S.à.r.l., a Luxembourg based holding company which in turn holds 100% of the 3 operational companies. The following amounts represent the Group's 50% share (50% in 2007) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2008	December 2007
Non-current assets	-	-
Current assets	13	559
Assets	13	559
Non-current liabilities	-	154
Current liabilities	170	86
Liabilities	170	240
Income	125	6
Expenses	-61	-50
Profit after income tax	64	-44

32.2 Kasic Development s.r.o.

The Group has a 50% interest in a joint venture, Kasic Development s.r.o., corresponding to the project's phase I in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2006) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

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	December 2008	December 2007
Non-current assets	417	617
Current assets	4,255	8,414
Assets	4,672	9,031
Non-current liabilities	-	-
Current liabilities	122	2,896
Liabilities	122	2,896
Income	544	25,524
Expenses	-174	-20,501
Profit after income tax	370	5,023

32.3 SV Faze II s.r.o.

The Group has a 50% interest in a joint venture, SV Faze II s.r.o., corresponding to the project's phase II in the Czech Republic. The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2008	December 2007
Non-current assets	16	3,893
Current assets	9,302	52
Assets	9,318	3,945
Non-current liabilities	347	347
Current liabilities	2,947	-
Liabilities	3,294	347
Income	5	481
Expenses	-320	-68
Profit after income tax	-315	413

32.4 Slunecny Vrsek III s.r.o.

The Group has a 50% interest in a joint venture, Slunecny Vrsek III s.r.o, corresponding to the project's phase III in the Czech Republic. The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2008	December 2007
Non-current assets	40	43
Current assets	10,082	4,654
Assets	10,122	4,697
Non-current liabilities	635	218
Current liabilities	6,827	1,927
Liabilities	7,462	2,145
Income	4,087	17
Expenses	-3,814	-52
Profit after income tax	273	-35

32.5 PEG Knorrstrasse 119 GmbH & Co. KG

The Group has a 50% interest in a joint venture, PEG Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	December 2008	December 2007
Non-current assets	-	-
Current assets	3,956	5,358
Assets	3,956	5,358
Non-current liabilities	-	-
Current liabilities	3,898	4,720
Liabilities	3,898	4,720
Income	60	38
Expenses	-102	-22
Profit after income tax	-42	16

32.6 Hospitality

In 2007, Endurance Hospitality Assets S.à r.l. and AIG entered into a joint venture agreement by which Hospitality Invest S.à r.l. will be controlled equally by both parties. AIG's initial investment in the joint venture amounted to EUR 50 million.

ORCO has sold its hotel portfolio in Central Europe, with the notable exception of the trophy asset Pachtuv Palace and excluding the Suncani Hvar's stake. The new joint venture is to focus on the hospitality business. Therefore it has been decided to transfer to that joint venture at least the following hotels and residences as well as all the assets and liabilities relating to their management and operations: Riverside, Imperial, Marriott, Sulekova, Pokrovka, Le Regina, Diana, Vienna, Starlight, Residence Belgicka, Izabella and Andrassy.

The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

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	December 2008	December 2007
Non-current assets	169,675	66,466
Current assets	12,808	7,041
Assets	182,483	73,507
Non-current liabilities	195,775	42,137
Current liabilities	16,079	5,591
Liabilities	211,854	47,728
Income	41,529	32,290
Expenses	-59,254	-34,585
Profit after income tax	-17,725	-2,295

32.7 Luxembourg Plaza a.s. (before Orco Property a.s.)

The Group had 50% interest in a joint venture, Luxembourg Plaza a.s., which was active in the leasing sector and holds the office part of the Luxembourg Plaza project in the Czech Republic. Luxembourg Plaza a.s. has been sold to Endurance Fund in 2008.

Events after balance sheet date

33.1 Orco Property Group implements Human Resources changes as part of its restructuring plan

ORCO Property Group announced the next stage of its restructuring plan by implementing changes designed to ensure a leaner and more flexible organization.

Orco Property Group announced the following changes in its management team:

In addition to continuing to manage the Group as “CEO”, Mr. Jean-François Ott will be taking full direct responsibility of real estate development and asset management company-wide.

Mr. Nicolas Tommasini has been named “Deputy CEO” and “Interim CFO”. He will also continue to manage all investment and partnership transactions.

Mr. Keith Lindsay, “COO”, will be responsible for all Operations and Systems as well as Hospitality.

Mr. Ales Vobruha will take on the new role of “Managing Director of Orco Prague” and as such will have responsibilities for the Czech and Slovak Republics in addition to his role as Head of bank financing.

The Board of Directors accepted on February 17, 2009 the resignations of Mr. Luc Leroi from his mandate as director and managing director of the Company and as legal representative of CEREM - which acts as director of the Company - and of Mr. Arnaud Bricout from his mandate as director of the Company. Furthermore, as of 30 April, 2009, all effects of employment and consulting contracts with Steven Davis have been put to an end. Steven Davis remains Board member of Orco Germany S.A. until next general assembly of shareholders where his mandate will be submitted to their vote. The Board of Directors accepted on 6 May, 2009 the resignation of Mr. Rémy Allemane from his mandate as director of the Company.

The above changes are part of a global restructuring plan that focuses on several regional and country office closings, disposals of non core assets and businesses, and a global savings plan that has already resulted in 220 redundancies across the Group to date. With this new, leaner organization, Orco Property Group is adapting its managerial structure to the changing market conditions and is positioning itself to move the Company forward by delivering quality buildings to its clients in its core markets.

33.2 “Procédure de Sauvegarde”

On 25 March 2009, the Paris Commercial Court (Tribunal de Commerce de Paris) rendered a judgment opening the “Procédure de Sauvegarde” for Orco Property Group S.A. and Vinohrady SARL for a renewable six months period. This process is reserved for companies demonstrating their solvency and does not encumber the management’s authority. During the “Sauvegarde” period, all the liabilities prior to the judgement pronouncement are frozen.

With this protection, the Group benefits from the conditions and the time necessary for the implementation of its strategic transformation and financial restructuring plan, which have been underway for several months. In strategic terms, the Group will be able to refocus its Central European business on projects that will generate income in 2009 or in 2010. Me Le Guernevé has been nominated Court Administrator and will assist management during the procedure. Daily decisions remain under the management’s authority, while essential strategic decisions are reviewed with the Court Administrator. A reorganization and recovery plan will be submitted at the end of the period when the Paris Commercial Court will issue another verdict.

33.3 Exclusive negotiations with Colony Capital

On 29 April 2009, the Board of Directors has decided to enter into exclusive negotiations with Colony Capital with a view to proceeding with a share capital increase reserved for ColOG, a company controlled by funds advised by Colony Capital.

ColOG is considering, in partnership with Jean-François Ott, founder and CEO of Orco Property Group, to reinforce OPG’s equity by EUR25 million by the end of the second quarter 2009 and by an additional amount of up to EUR140 million at the end of the Safeguard Procedure (*Procédure de Sauvegarde*) opened by the Paris Commercial Court (*Tribunal de Commerce*) on 25 March 2009.

These negotiations are being undertaken in the context of the management’s financial and operational restructuring plan and also aim at allowing the Company to continue, under the best conditions, certain property developments adapted to such plan.

After a due diligence period, ColOG would be entitled to subscribe, at the latest on 22 June 2009, to a reserved EUR25 million share capital increase. Orco Property Group would issue 5 million shares with share warrants, at a subscription price per share of EUR5. Four share warrants would be attached to each new share allowing ColOG to acquire 20,000,000 new shares at a subscription price of EUR7 per share. These share warrants would be exercisable at the end of the Safeguard Procedure.

Furthermore, the Board of Directors of Orco Property Group has proposed that all OPG shareholders be granted one free share warrant for two OPG shares, entitling shareholders to subscribe to one new share at the same subscription price as the share warrants issued to ColOG.

Me Le Guernevé, the Court Administrator appointed by Paris Commercial Court on 25 March 2009, has been informed of this negotiation.

33.4 Ordinary general meeting of shareholders

The ordinary general meeting of shareholders of Orco Property Group was held at the registered office of the Company on Thursday 30 April 2009. It deliberated and decided to postpone the ordinary general meeting convened to approve the corporate audited annual accounts and audited consolidated financial statements ending on 31 December 2008, and the statutory elections.

33.5 Sale of ORCO Property Management, a.s.

ORCO Property Management, a.s. is being sold to TVO Global Partners, a subsidiary of TVO Groupe LLC, a global Chicago-based real estate firm operating on the US market and increasingly in Europe and the Gulf region. TVO Global Partners’ acquisition of ORCO Property Management, a.s. will boost TVO Global Partners’ presence in commercial and residential real estate, notably in the Czech Republic, Slovakia, Poland and Hungary. Orco Property Group will receive EUR 0.56 million during second quarter 2009 and EUR 1.9 million along the two coming years based on the execution of property management contracts secured by ORCO Property Management, a.s..

33.6 Sale of assets

ORCO PROPERTY GROUP

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Since the beginning of 2009 and until the date of publication of these consolidated financial statements, the Group sold assets for a total sales price of EUR 49.7 million recognizing a loss compared to the DTZ valuation as at 31 December 2008 of EUR 7.6 million, among which the project of Fehrbelliner Höfe in Berlin (EUR - 5.8 million).

7.5. Condensed consolidated interim financial statements in accordance with IFRS as at 30 June 2008

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

I. Condensed consolidated interim income statement

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

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

* See note 13 for adjustments on comparatives

II. Condensed consolidated interim balance sheet

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

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

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

III. Condensed consolidated interim statement of changes in equity

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

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

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IV. Condensed consolidated interim cash flow statement

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

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

Selected notes to the condensed consolidated interim financial information

1. General information

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

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

2.2 Accounting policies

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

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

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

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

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

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

2.3 Seasonality

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

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3. Segment reporting – business segments

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

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

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

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

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

4. Business combinations

- **In 2008**

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

- **In 2007**

Acquisition of GSG

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

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

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

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

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

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

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

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

Acquisition of Molcom

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

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

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

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

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

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

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

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5. Investment property

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

• **In 2008**

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

• Freehold buildings:

New acquisitions (EUR 29.8 million):

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

• Land bank :

New acquisitions (EUR 25.2 million):

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

Subsequent expenditures on previous acquisitions (EUR 12.1 million):

- Germany: Wertheim in Berlin (EUR 0.3 million)
- Czech Republic: Bubny (EUR 3.7 million)

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- Hungary: Origo Project (EUR 2.4 million).

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

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

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

- In Germany:

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

- In the Czech republic, the fair value on the Bubenska office building increased by EUR 1.7 million.

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

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

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

- The Paris Department store (EUR 7.2 million) in Budapest, which is planned to be sold, has been transferred to Inventories;

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- Radio Free Europe (EUR 13.4 million) and Na Porici (EUR 17.5 million), both in the Czech Republic, and the Budapest Stock Exchange (EUR 18.1 million) in Hungary, have been transferred to Properties under development.

- **In 2007**

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

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

- Freehold buildings:
 - Germany: various residential and office buildings among which Gebauer Höfe (EUR 42.9 million), Reinhardtstrasse (EUR 9.5 million), Apple Tree (EUR 9.5 million), Pappelallee (EUR 5.2 million), Tucholskystrasse (EUR 2.5 million) and Boxhagenerstrasse (EUR 2.3 million).
 - Czech Republic: Mostecka residential building (EUR 22.5 million), Hradcanska (EUR 21.2 million), Hlubocky (EUR 10.0 million), Stribro (EUR 6.9 million) and Jeremiasova (EUR 3.1 million).
 - Luxembourg: Total investment reaches EUR 31.2 million among which EUR 27.5 million are reported as Freehold buildings let to first class tenants and the remaining 12% are dedicated to the Group's new headquarters and are classified in own-occupied.
 - Slovakia: City Gate (EUR 21.0 million), Dunaj (EUR 18.9 million) and Hotel Kohal in Kosice (EUR 4.2 million).
 - Hungary: Szervita Square (EUR 8.8 million).
 - Poland: Marki (EUR 7.1 million).
- Land bank :

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- Germany: Wertheim in the centre of Berlin (EUR 78.9 million), Elb Loft Bau in Hamburg (EUR 2.0 million).
- Russia: Otrada for potential development of residential buildings on 10.0 ha plot (EUR 41.3 million).
- Poland: Szosa Polska, a 7.3 ha parcel in Szczecin (EUR 7.7 million) and Przy Parku, plot located in Warsaw (EUR 5.6 million).
- Hungary: Origo Film Studios (EUR 9.2 million).
- Czech Republic: U Hranic (EUR 2.8 million), Vavrenova (EUR 2.4 million), Rudna III (EUR 2.1 million), Hradec Kralove Plachta jih (EUR 1.6 million) and Bezecka (EUR 1.2 million).

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

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

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

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

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

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

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6. Hotels and own-occupied buildings

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

- In 2008**

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

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

- In 2007**

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

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

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

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

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

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

7. Properties under development

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

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

- **In 2008**

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

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

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

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

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

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

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

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

• **In 2007**

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

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

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

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

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

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

8. Inventories

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

• In 2008

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

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

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

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

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

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

• In 2007

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

Since the Sky Office (EUR 41.3 million) construction started in Düsseldorf, the whole project was transferred from Properties under development to Inventories as the destination of the project

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

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9. Borrowings

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

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

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

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

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

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

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

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

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

No new bonds have been issued in 2008.

Borrowings maturity

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

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

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

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

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

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

Undrawn bank credit facilities

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

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

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

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10. Earnings per share

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

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

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

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11. Capital and share premium

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

The Extraordinary Shareholders' Meeting of 14 June 2006 renewed the authorization granted by the shareholders to the Board of Directors on May 18, 2000, in accordance with article 32-3 (5) of Luxembourg corporate law, and in addition enhanced the limit of the authorized capital. The Board of Directors was granted full power to proceed with the capital increases within the revised authorized capital of EUR 100,000,000, under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors has been authorized and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares, or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, and the terms and conditions of subscription and payment of new shares. This authorization is valid for a five-year period ending on 14 June 2011.

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

During the first six months of the year, the Group has repurchased 55,195 own shares for an amount of EUR 5.4 million which has been deducted from shareholders' equity.

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

Callable warrants on OPG shares

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

12. Gain on disposal of assets

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

13. Comparatives

2007 comparatives for Operating expenses and Cost of goods sold have been reclassified following the change in presentation from Cost of sales to Cost of goods sold. The Operating expenses have been increased by EUR 16.1 million and the Cost of sales has been decreased by

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EUR 16.1 million and renamed Cost of goods sold. Cost of goods sold includes changes in inventories and construction costs of the inventories sold during the period.

14. Related party transactions

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

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

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

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

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

15. Events after balance sheet date

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

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

7.6. Audited consolidated financial statements in accordance with IFRS as of and for the year ended 31 December 2007

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Report of the independent auditors

To the Shareholders of
Orco Property Group S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orco Property Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the Group, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

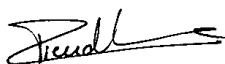
In our opinion, these consolidated financial statements give a true and fair view of the consolidated financial position of Orco Property Group S.A. as of December 31, 2007, and of its financial performance and changes cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

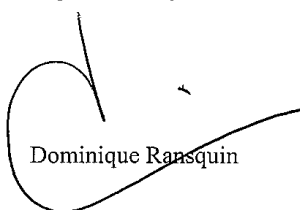
Luxembourg, April 10, 2008

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



Anne-Sophie Preud'homme

HRT Révision S.A.
Réviseur d'entreprises
Represented by



Dominique Ransquin

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I. Consolidated income statement

The accompanying notes form an integral part of these consolidated financial statements.

	Note	December 2007	December 2006
Revenue	5	299 229	172 908
Net gain from fair value adjustment on investment property	5, 8	147 376	145 901
Other operating income	23	30 878	2 786
Cost of sales		-168 955	-119 224
Employee benefit		-58 198	-30 141
Amortization, impairments and provisions		-17 027	-4 076
Other operating expenses		-56 199	-33 906
Operating result		177 104	134 248
Interest expenses	20	-66 345	-18 133
Interest income	20	8 911	2 393
Foreign exchange result		-5 662	-3 624
Other net financial results	24	-10 763	8 040
Financial result		-73 859	-11 324
Profit before income taxes		103 245	122 924
Income taxes	25	-2 341	-25 069
Net profit		100 904	97 855
Attributable to minority interests		13 396	1 156
Attributable to the Group		87 508	96 699
Basic earnings in EUR per share	26	9,15	12,58
Diluted earnings in EUR per share	26	8,53	10,11

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II. Consolidated balance sheet

The accompanying notes form an integral part of these consolidated financial statements.

Assets			
	Note	December 2007	December 2006
NON-CURRENT ASSETS		2 147 468	992 605
Intangible assets	7	67 016	1 545
Investment property	8	1 564 947	749 438
Property, plant and equipment		419 575	213 860
Hotels and own-occupied buildings	9	294 170	165 502
Fixtures and fittings	10	21 036	15 036
Properties under development	11	104 369	33 322
Financial assets at fair value through profit & loss	12	82 182	21 196
Deferred tax assets	25	13 748	6 566
CURRENT ASSETS		795 795	487 749
Inventories	13	323 699	248 884
Trade receivables	14	64 891	52 602
Other receivables		115 610	42 597
Derivative Instruments	20	22 396	22 595
Current Financial Assets	16	11 222	20 451
Cash and cash equivalents	17	257 977	98 339
Held for sale activities	18	0	2 281
TOTAL		2 943 263	1 480 354

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Equity and liabilities

	Note	December 2007	December 2006
EQUITY		939 835	518 425
Shareholders' equity		736 012	454 232
Minority interests		203 823	64 193
LIABILITIES		2 003 428	961 929
Non-current liabilities		1 587 783	673 075
Bonds	20	472 812	240 854
Financial debts	20	831 724	315 106
Provisions & other long term liabilities	21	18 154	11 822
Derivative Instruments	20	21 153	16 545
Deferred tax liabilities	25	243 940	88 748
Current liabilities		415 645	288 854
Financial debt	20	175 216	95 370
Trade payables	22	50 220	55 526
Advance payments	22	101 678	63 377
Derivative Instruments	20	4 872	161
Other current liabilities		83 659	72 947
Held for sale activities	18	0	1 473
TOTAL		2 943 263	1 480 354

III. Consolidated statement of changes in equity

The accompanying notes form an integral part of these consolidated financial statements.

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	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Shareholders equity	Minority interests	Equity
Balance at 1 January 2006	27 850	118 964	9 353	0	87 030	243 197	47 726	290 923
Gains or losses for the period :								
Translation differences			10 260			10 260	416	10 676
Profit of the period					96 699	96 699	1 156	97 855
Dividends relating to 2005					-5 993	-5 993		-5 993
Capital increase	6 548	78 588			-2 409	82 727		82 727
Equity derivative instruments					18 826	18 826		18 826
Treasury shares	27				1 768	1 768		1 768
Stock option plan	27				7 572	7 572		7 572
Anglicka 26 revaluation					801	801		801
MMR transactions	19				-5 617	-5 617	-5 834	-11 451
Orco Germany transactions	19				5 098	5 098	22 948	28 046
Other minority interests' transactions	19				-1 106	-1 106	-2 219	-3 325
Balance at 31 December 2006	34 398	197 552	19 613	0	202 669	454 232	64 193	518 425
Gains or losses for the period :								
Translation differences			8 885			8 885	29	8 914
Profit of the period					87 508	87 508	13 396	100 904
Dividends relating to 2006					-8 647	-8 647	-161	-8 808
Capital increase	10 033	198 210			-12 026	196 217		196 217
Equity derivative instruments					10 974	10 974	487	11 461
Treasury shares	27			-15 158	319	-14 839		-14 839
Stock option plan	27				1 514	1 514		1 514
GSG transactions	19				5 047	5 047	69 134	74 181
Hospitality transactions	19				-	0	6 297	6 297
Minority interests' transactions	19				-4 879	-4 879	50 448	45 569
Balance at 31 December 2007	44 431	395 762	28 498	-15 158	282 479	736 012	203 823	939 835

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IV. Consolidated cash flow statement

The accompanying notes form an integral part of these consolidated financial statements.

		December 2007	December 2006
Operating result		177 104	134 248
Net gain from fair value adjustments		-147 376	-145 901
Amortization, impairments & provisions		17 027	4 076
Gain and losses on disposal of investments		-27 150	-93
Stock options plans	27	1 514	7 571
Adjusted operating profit		21 119	-99
Financial result		6 258	5 240
Income tax paid		-6 118	-1 204
Financial result and income taxes paid		140	4 036
Changes in operating assets and liabilities		-10 929	8 696
NET CASH FROM OPERATING ACTIVITIES		10 330	12 633
Acquisition of subsidiaries, net of cash acquired	6	-329 372	-69 887
Capital expenditures	5.1	-505 745	-342 427
Proceeds from sales of non current tangible assets		36 870	3 831
Purchase of intangible assets		-313	-1 199
Purchase of financial assets		-56 990	-5 820
Proceeds from sale of hotel portfolio to AIG	6	42 919	0
Net interest paid		-46 291	-18 441
NET CASH USED IN INVESTING ACTIVITIES		-858 922	-433 943
Issue of equity instruments from shareholders	27	201 848	84 495
Issue of equity instruments from minority	19	80 666	31 814
Proceeds from borrowings	20	851 675	434 644
Repayments of borrowings	20	-118 839	-75 754
Dividend paid to company's shareholders	27	-8 647	-5 993
NET CASH FROM FINANCING ACTIVITIES		1 006 703	469 206
NET INCREASE IN CASH		158 111	47 896
Cash and cash equivalents at the beginning of the period		98 344	49 089
Exchange difference on cash		1 522	1 359
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		257 977	98 344

Notes to the consolidated financial statements

1. General information

Orco Property Group, société anonyme (“the Company”) and its subsidiaries (together the “Group”) is a real estate group with a major portfolio in Central and Eastern Europe. It is principally involved in leasing out investment property under operating leases as well as in asset management, in operating hotels and extended stay hotels and is also very active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business. During 2007, the Group has substantially focused on growing its property portfolio with acquisitions in Germany, Russia, Czech Republic and Slovakia.

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 40, Parc d’activités Capellen, L-8308 Capellen. The Company is listed on the EuroNext Paris stock exchange, the Prague stock exchange, the Budapest stock exchange and the Warsaw stock exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 27 March 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union.

The consolidated financial statements are presented in thousands of euros, which is the Company's functional and Group's presentation currency, and have been prepared under the historical cost convention except that investment property is carried at fair value and financial assets or financial liabilities (including derivative instruments) at fair value through income statement.

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The accounting policies have been consistently applied by Group's entities and are consistent with those used in the previous year except for the application of the revised and new standards and interpretations effective as from 1 January 2007 described below. The application of those amendments and interpretations did not result in substantial changes to the Group's accounting policies:

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments.

IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the Group's financial statements.

IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group's financial statements.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- . IFRS 4, 'Insurance contracts';
- . IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies'; and
- . IFRIC 9, 'Re-assessment of embedded derivatives'.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- . IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

. IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

. IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.

. IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parents and Group companies. This interpretation does not have an impact on the Group's financial statements.

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

. IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

. IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition

is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with minority interests

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition.

The fair value of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking control over the entity, the interests previously held in that entity are revalued on the basis the fair values of the identifiable assets and liabilities at that date.

Subsequent purchases, after the Group has obtained control, are treated as the acquisition of shares from minority interests: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional portion of the interest acquired is recorded as goodwill.

For disposals of minority interests, differences between any proceeds received and the relevant share of minority interest are recorded in the income statement.

(c) Joint-ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint-ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint-venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint-venture that result from the Group's purchase of assets from the joint-venture until it resells the assets to an independent party. A loss on the transaction is recognized immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint-ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

The exchange rates against euros (EUR) used to establish these consolidated financial statements are as follows:

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Currency Code	Currency	31 December 2007		31 December 2006	
		Average	Closing	Average	Closing
CZK	Czech Koruna	0.03588	0.03757	0.03535	0.03637
HUF	Hungarian Forint	0.00398	0.00395	0.00380	0.00396
HRK	Croatian Kuna	0.13627	0.13652	0.13659	0.13615
PLN	Polish Zloty	0.26467	0.27917	0.25705	0.26101
RUR	Russian Ruble	0.02851	0.02783	0.02913	0.02882
SKK	Slovak Koruna	0.02957	0.02976	0.02691	0.02892
USD	US Dollars	0.72669	0.67893	0.77224	0.75740

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in euros (EUR), which is the Company's functional and Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences arising from the translation of the net investment in foreign entities are recognized in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint-ventures is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

Negative goodwill arising on an acquisition is recognized in the income statement.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortised using the straight-line method over their estimated useful lives (not exceeding three years).

(c) Trademarks

Acquired trademarks are shown at historical cost. When they have indefinite useful life, trademarks are tested annually for impairment and carried at cost less accumulated impairment losses.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, is classified as investment property.

Investment property comprises of freehold land, freehold buildings, extended stay residences, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried out at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the income statement.

The pieces of land on which are located buildings under construction that will qualify as investment property at completion of the construction are from the beginning separately classified as investment property and hence recorded at fair value. This includes all plots of land held by the Group on which no construction or development has started at the balance sheet date.

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive and the building permit granted. Therefore, the transfer of the land to property, plants and equipment or Inventories is recorded only when the building permit is granted.

Hotel buildings held by the Group are not classified as investment property but rather as property, plant and equipment.

2.7 Property, plant and equipment

Hotels and own-occupied buildings, fixtures and fittings, properties under development are classified as property, plant and equipment.

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, starts off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

Land	Nil
Buildings	50 - 80 years
Fixtures and fittings	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.8 Leases

(a) A Group company is the lessee

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate

on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(b) A Group company is the lessor

Operating lease

Properties leased out under operating leases are included in investment property in the balance sheet.

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.9 Impairment of non-financial assets

Intangible assets including goodwill and trademark that have an indefinite useful life are not subject to systematic amortisation and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.10 Financial assets

The Group classifies its financial assets other than derivatives in the following categories: loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (note 2.12) and other current assets in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in note 2.12.

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. The Group subscriptions in investment property closed end fund managed by the Group are categorised as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. They are initially recognized at fair value, and transaction costs are expensed in the income statement, and subsequently carried at fair value.

Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

2.11 Inventories

Properties that are being developed for future sale are classified as inventories at their cost or deemed cost, which is the carrying amounts at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

The shares of the Company (Orco Property Group, société anonyme) held by the Group -Treasury shares - are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

2.15 Borrowings

The term Borrowings covers the elements recorded under the captions Bonds and Financial debts within the non-current liabilities and the caption Bonds and financial debts within current liabilities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion at maturity of the bonds. The remainder of the proceeds is allocated to the conversion option which is recognized and included in shareholders' equities, net of income tax effect.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Investment property

Deferred income tax is provided on all temporary differences arising on fair value of buildings and lands held by the Group as investment properties even when they are located in special purpose entities, which are themselves held by a Luxembourg-based company. Each special purpose entity is meant to hold one specific project. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal will be exempted from any tax (in accordance with the Grand-ducal regulation of 21 December 2001), if the Luxembourg-based company holds or commits itself to hold this stake for a minimum of a continuous 12-month period and, if, during this same period, the stake amounts to at least 10% of the affiliate's capital or the acquisition price amounts to at least EUR 6 million. The Group is confident that all special purpose entities will comply with these conditions.

2.18 Provisions and post-employment obligations

Provisions for environmental restauration and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

The Group has entered into defined benefit plans define as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.19 Derivative financial instruments and hedging activities

Derivatives are initially recognized in the balance sheet at their fair value on a date a derivative contract is entered into and are subsequently remeasured at their fair value which is generally the market value. Derivatives are presented at the balance sheet date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

Embedded derivatives that are not equity instruments, such as issued call options embedded in exchangeable bonds, are recognized separately in the balance sheet and changes in fair value are accounted for through the income statement.

2.20 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognized in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The amount of inventories recognized as an expense during the period, referred to as cost of sales, consists of those costs previously included in the measurement of inventory that has been sold during the year and unallocated production overheads.

The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Share option plans

Share options are granted to certain directors and senior employees. The options are granted at the market price on the date of the grant and are exercisable at that price.

The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2.23 Subscription rights and PACEO

The Group grants subscription rights to third parties as part of its financing program. Any consideration received is added directly to equity as a capital increase recorded in share capital and share premium. Changes in the fair value of those equity instruments are not recognized in the financial statements.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management is carried out by the Group's Chief Financial Officer (CFO) and his team under policies approved by the Board of Directors. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk (see note 15)

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), the Slovak Koruna (SKK), the US Dollars (USD), the Russian Rouble (RUR) and the Croatian Kuna (HRK). Foreign exchange risk arises from recognized monetary assets and liabilities and net investments in foreign operations. Loans, operating income and - except in the development activities - sales of buildings are denominated in euros (EUR). The Group does not hedge systematically its foreign exchange risks. Salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are denominated in local currencies which does not generate any foreign exchange risks.

(ii) Price risk

The Group is exposed to equity securities, equity derivatives and foreign exchange derivatives price risk because of investments held by the Group and classified in the consolidated balance sheet at fair value through profit or loss or as trading financial instruments. To manage its price risk arising from investments in equity securities, equity derivatives and foreign exchange derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed considering the non-significance of such risk for the Group.

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area – Central, Eastern Europe and Russia – such activities are spread over several business lines (residences, offices, hotels) and different countries that each undergo specific business cycles.

(b) Credit risk (see note 14)

The Group has no significant concentrations of credit risk. Rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high-credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk (see note 22)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets the Group is subject to a liquidity risk.

(d) Cash flow interest rate risk (see note 22)

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has now started to mitigate some of its variable interest rates by entering into swap transactions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

3.2 Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The level of capital is managed in order to respect the Group strategy to maintain the loan to value under 50%. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may adjust dividends paid to shareholder (notably by offering the possibility to receive the dividends in shares instead of cash), issue new shares, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

As at December 2007, the ratio has reached the level of 49% compared to 40% in 2006. The strong increase is mainly due to the acquisition of the GSG portfolio of assets that enjoys a loan to value ratio of 64%.

The following table shows the detailed calculation of the loan to value ratio. Apart from the caption Revaluation gains on projects and properties, all the lines correspond to specific items indicated on the face of the balance sheet. The Revaluation gains on projects and properties represents the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties.

	December 2007	December 2006
Non current liabilities		
Bonds	472 812	240 854
Financial debts	831 724	315 106
Current liabilities		
Financial debts	175 216	95 370
Current assets		
Current financial assets	-11 222	-20 451
Cash and cash equivalents	-257 977	-98 339
Net debt	1 210 553	532 540
Investment property	1 564 947	749 438
Hotels and own-occupied buildings	294 170	165 502
Properties under development	104 369	33 322
Financial assets	82 182	21 196
Inventories	323 699	248 884
Revaluation gains on projects and properties	101 610	103 422
Fair value of portfolio	2 470 977	1 321 764
Loan to value	49.0%	40.3%

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through income statement) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other

techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

(a) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

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, and 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.

(b) *Income taxes*

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.17, the calculation of deferred tax on investment properties is not based on the fact that they will be realised through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

(c) Determination of remaining construction costs

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realisable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

4.2 Critical judgements in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgement, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgement.

Where applicable, the land on which new properties are under development is recognized separately as an investment property. In such a case the land is fair valued through the income statement on the basis of a percentage of the value determined by the independent valuation expert for the full property under development (land and construction).

5. Segment reporting

5.1 Primary reporting format – business segments

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

Renting: leased out residences, offices or retail buildings, property management and asset management and buildings under construction that are meant to be leased.

Hotels and Residences: all the MaMaison Hotels and Apartments activities with extended stay hotels and small luxury hotels. This segment also includes the Suncani Hvar activities i.e. leisure hotels in Croatia.

Development: development of projects meant to be disposed of unit by unit, the land bank and project management.

Management services: property management, management services to Group companies and asset management for the Endurance Fund.

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In 2006, the business segments Extended Stay Hotels and Hotels were brought together into the business segment Hotels and Residences to better reflect the strategy and management structure.

Corporate expenses are allocated on the basis of the revenue realised by each activity. Segment assets consist primarily of tangible assets, inventory and receivables. Unallocated assets comprise deferred tax assets and cash and cash equivalents. Segment liabilities include operating liabilities. Unallocated liabilities are essentially the aggregate of litigation provisions, taxation liabilities and borrowings.

As at 31 December 2007	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenues	192 753	42 914	66 088	15 913	-18 439	299 229
Net gain from fair value adjustments on investment property	55 047	4 182	88 147	-	-	147 376
Other operating results	-192 523	-37 291	-49 036	-2 834	12 183	-269 501
Operating result	55 277	9 805	105 199	13 079	-6 256	177 104
Financial result						-73 859
Profit before income taxes						103 245
Income taxes						-2 341
Net Profit						100 904
Attributable to minority interests						-13 396
Attributable to the group						87 508
Segment assets	977 403	264 684	1 254 164	5 317	4 694	2 506 262
Unallocated assets						437 001
Total assets						2 943 263
Segment liabilities	168 713	33 133	9 362	8 911	2 043	222 162
Unallocated liabilities						2 721 101
Total liabilities						2 943 263
Cash flow elements						
Amortization, impairments and provisions	-6 949	-5 100	-4 008	-970		-17 027
Capital Expenditure	201 352	51 658	251 502	1 233		505 745

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As at 31 December 2006

	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenues	124 298	30 753	19 856	8 690	-10 689	172 908
Net gain from fair value adjustment on investment property	57 394	8 565	79 942	0	0	145 901
Other operating results	-137 436	-36 572	-17 008	-799	7 254	-184 561
Operating result	44 256	2 746	82 790	7 891	-3 435	134 248
Financial result						-11 324
Profit before income taxes						122 924
Income taxes						-25 069
Net Profit						97 855
Attributable to minority interests						-1 156
Attributable to the group						96 699
Segment assets	624 147	272 184	397 929		-10 232	1 284 028
Unallocated assets						196 326
Total assets						1 480 354
Segment liabilities	144 299	8 990	17 987		-10 971	160 305
Unallocated liabilities						1 320 049
Total liabilities						1 480 354
Cash flow elements						
Amortization, impairments and provisions	1 466	-4 279	-1 223	-39	0	-4 075
Capital Expenditure	94 925	64 345	183 157	0		342 427

5.2 Secondary reporting format – geographical segments

The Group's four business segments operate mainly in Central European countries among which most activities are presently generated in the Czech Republic, in Germany, in Russia and in Poland. With the exception of these countries, no other individual country contributed more than 10% of consolidated sales or assets. The location of the customers is the same as the location of the assets except for the hospitality activity.

	December 2007	December 2006
Czech Republic	151,870	66,363
Germany	79,932	62,796
Russia	19,146	0
Poland	18,243	22,216
Croatia	12,271	9,676
Hungary	9,501	8,593
Slovakia	5,835	821
Luxembourg	16,886	8,807
Intersegment activities	-14,455	-6,364
Revenue	299,229	172,908

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	December 2007	December 2006
Czech Republic	692,465	563,402
Germany	1,010,898	289,355
Russia	159,960	0
Poland	162,637	110,149
Croatia	144,793	102,463
Hungary	191,828	159,622
Slovakia	90,037	33,610
Luxembourg	65,281	46,861
Intersegment activities	-11,638	-8,921
Segment assets	2,506,261	1,296,541
Non allocated assets	437,002	183,815
Total assets	2,943,263	1,480,356

6. Business combinations and disposals

In 2007, the Group has entered into three business combinations and has disposed of one significant Group of assets:

GewerbeSiedlungs-Gesellschaft mbH (GSG) in June 2007

Molcom, a logistic park located near Moscow in April 2007

N W D C company sro a cabling company in November 2007

Partial sale of the hotel portfolio end of November 2007

Acquisition of GSG

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

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

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

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

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

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

GSG

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

Acquisition of Molcom

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

The purchase accounting has been determined on a provisional basis and will be completed in 2008.

As described in note 19 on minority interests' transactions, the Group sold a further 10% share in the shareholding structure of Molcom to the current management. The transaction took place at the same price than the acquisition.

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

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

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

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

Acquisition of NWDC

In the fourth quarter of 2007, the Group acquired 51% (with an option to acquire the remaining shares at the same price if the business plan is achieved) for a total cash consideration of CZK 16 million. This company is specialized in production, design and installation of electrical components and machinery for large real estate developments. As at December 2007, NWDC only contributes to the balance sheet. The carrying amount of all assets and liabilities is deemed to approximate their fair value.

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

NWDC	
Tangible assets	31
Inventories	12
Trade receivables	1,782
Other current assets	444
Cash and cash equivalents	92
Financial liabilities	-72
Current payables	-2,077
Net equity acquired	-212
Goodwill on acquisition	-963
Acquisition price	-1,175
Less cash acquired	92
Cash flow on acquisition net of cash acquired	-1,083

Partial sale hotel portfolio

At the end of November 2007 the Group established a 50% partnership with AIG. The Group brought in the joint-venture the operations and real estate properties of the following hotels and residences: the Marriott Court Place and the Riverside hotel in Prague, the Imperial hotel in Otrava, the Sulekova residence in Bratislava, the Izabella Residence and the Andrassy and Starlight hotels in Budapest, the Regina Hotel in Warsaw and finally the newly opened Prokovka Suite Hotel in Moscow. As at December 2007, those activities contribute to the balance sheet for 50% while they contribute for 100% to the whole year Group revenues and operating results.

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The following table describes the calculation of the cash flow on sale net of the cash and cash equivalents sold.

Hospitality Invest	
Intangible assets	-304
Tangible assets	-64,034
Deferred tax assets	-719
Inventories	-129
Trade receivables	-1,631
Other current assets	-2,405
Cash and cash equivalents	-2,494
Non current financial liabilities	38,563
Deferred tax liabilities	2,856
Current payables	1,201
Short term debts and provisions	2,262
Net equity sold	26,834
Gain on sale	18,579
Selling price	45,413
Less cash sold	-2,494
Cash flow on disposal net of cash disposed	42,919

Acquisition in 2006 of Viterra Development

As at 23 June 2006 the Group directly acquired Viterra Development Polska and, through Orco Germany (a 80% fully consolidated subsidiary), Viterra Development GmbH and Viterra Baupartner GmbH. Those companies and their subsidiaries are referred to as Viterra in this report. Viterra is active in Germany, Poland and the Czech Republic. The development and building portfolio has been fair valued on the basis of an independent valuation report (established by DTZ Debenham).

As part of the transaction, the Group also acquired for a total cash consideration of EUR 13 million two buildings whose property has only been transferred in August with some cash flow adjustment mechanisms bringing the final acquisition price to EUR 14 million.

The following table details the fair value of the assets, liabilities and contingent liabilities acquired and describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired:

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Viterra	
Tangible assets	31 874
Financial assets	1 885
Deferred tax assets	1 290
Inventories	98 709
Trade receivables	35 885
Other current assets	14 631
Cash and cash equivalents	28 961
Provisions	-11 875
Deferred tax liabilities	-4 665
Payables	-34 485
Short term debts and provisions	-40 107
Net equity acquired	-122 103
Negative goodwill on acquisitions	23 255
Acquisition price	-98 848
Less cash acquired	28 961
Cash flow on acquisition net of cash acquired	-69 887

In aggregate, the acquired business contributed revenues of EUR 83.2 million and net profit of EUR 0.7 million to the Group for the period from the acquisition date to 31 December 2006. The Group is not able to disclose the information relating to revenue and profit which would have been generated by the Group for the year ended 31 December 2006 if the acquisition had occurred on 1 January 2006 due to the absence of Viterra Development activities sub-consolidated information prior to the acquisition.

Acquisition in 2006 of Stein Breweries

At the end of December 2006, the Group closed a transaction to acquire in Slovakia the Stein companies. These companies comprise one holding company with an industrial building complex which has been recognized at its fair value (and as such disclosed as an acquisition in note 8 Investment property under the caption Freehold buildings for EUR 21.6 million) and two subsidiaries running the brewery and distribution activities that are accounted for as business acquisitions. Since the objective of the Group is the conversion of the old industrial building complex, the brewery and distribution activities are meant to be sold in 2007.

As at December 2006, these acquisitions only contribute to the balance sheet and the specific lines of held for sale activities for the brewery and beer distribution activities.

End of 2007, the Group sold the brewery business and recognized a net loss (as an impairment on receivables) amounting to EUR 1.0 million.

The following table details the fair value of the assets, liabilities and contingent liabilities acquired and describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired:

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Stein acquisition			
Acquired activities	Brewery & distribution	Investment property	Total
Tangible assets	169	21 902	22 071
Inventories	476	-	476
Trade receivables	1 060	86	1 146
Other current assets	12	10	22
Cash and cash equivalents	564	11	575
Long term debts	-2 751	-514	-3 265
Deferred tax liabilities	-	-2 230	-2 230
Payables	-602	-273	-875
Short term debts and provisions	-595	-	-595
Net equity acquired	1 667	-18 992	-17 325
Goodwill on acquisitions			0
Acquisition price			-17 325
Less cash acquired			575
Cash flow on acquisition net of cash acquired			-16 750

7. Intangible assets

The intangible assets of EUR 67.0 million (EUR 1.5 million in 2006) include mainly the GSG trademark recognized as part of the business acquisition accounting (EUR 7.2 million) and the goodwill on acquisitions (EUR 57.2 million compared to EUR 0.1 million in 2006). The increase in goodwill is mainly due to the acquisition of GSG (EUR 39.3 million).

8. Investment property

Investment property	Buildings under finance lease	Freehold buildings	Land	Extended stay hotels	Land bank	Total
Balance at 31 December 2005	1,510	216,169	8,600	67,419	67,495	361,193
Scope movements	-	20,937	-	-	10,500	31,437
Investments / acquisitions	-	166,615	30,855	-	72,565	270,035
Revaluation through income statement	-135	66,709	8,545	-880	48,408	122,646
Revaluation through equity	-	801	-	-	-	801
Asset sale	-	-2,919	-	-	-	-2,919
Transfer	-	-486	17,400	-7,837	-49,988	-40,911
Translation differences	-	1,839	-	0	5,317	7,156
Balance at 31 December 2006	1,375	469,666	65,400	58,701	154,296	749,438
Scope movements	-	406,172	-	-	2,305	408,477
Partial sale	-	-4,510	-	-3,267	-	-7,777
Investments / acquisitions	60	239,630	-	84	164,756	404,530
Revaluation through income statement	155	97,890	2,584	4,182	39,352	144,163
Asset sale	-	-32,798	-	-	-	-32,798
Transfer	-	-119,033	-14,147	-	22,107	-111,073
Translation differences	-	3,419	625	-133	6,076	9,987
Balance at 31 December 2007	1,590	1,060,436	54,462	59,567	388,892	1,564,947

Variations in 2007

The scope movements refer principally to GSG's (Gewerbesiedlungs-Gesellschaft mbH) buildings acquired by Orco Germany SA (see note 6 on business combinations) and plots of land owned by Molcom, a logistics company acquired in Russia. End of 2007, the Group sold 50% of its hotel portfolio to AIG among which the Starlight Suite Hotel (EUR - 4.5 million) and the Residence Izabella (EUR - 3.3 million). The decrease reflects the change in consolidation methodology from global consolidation to proportionate and of such the exit of the 50% of the assets (see note 32 on joint ventures).

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

Freehold buildings:

Germany: various residential and office buildings among which Gebauer Höfe (EUR 42.9 million), Reinhardtstrasse (EUR 9.5 million), Apple Tree (EUR 9.5 million), Pappelallee (EUR 5.2 million), Tucholskystrasse (EUR 2.5 million) and Boxhagenerstrasse (EUR 2.3 million).

Czech Republic: Mostecka residential building (EUR 22.5 million), Hradcanska (EUR 21.2 million), Hlubocky (EUR 10.0 million), Stribro (EUR 6.9 million) and Jeremiasova (EUR 3.1 million).

Luxembourg: total investment reaches EUR 31.2 million among which EUR 27.5 million are reported as freehold buildings let to first class tenants and the rest, 12%, are dedicated to Group's new headquarters and are classified in owner occupied.

Slovakia: City Gate (EUR 21.0 million), Dunaj (EUR 18.9 million) and Hotel Kohal in Kosice (EUR 4.2 million).

Hungary: Szervita Square (EUR 8.8 million).

Poland: Marki (EUR 7.1 million).

Land bank :

Germany: Wertheim in the centre of Berlin (EUR 78.9 million), Elb Loft Bau in Hamburg (EUR 2.0 million).

Russia: Otrada for potential development of residential buildings on 10.0ha plot (EUR 41.3 million).

Poland: Szosa Polska, a 7.3ha parcel in Szczecin (EUR 7.7 million) and Przy Parku, plot located in Warsaw (EUR 5.6 million).

Hungary: Origo Film Studios (EUR 9.2 million).

Czech Republic: U Hranic (EUR 2.8 million), Vavrenova (EUR 2.4 million), Rudna III (EUR 2.1 million), Hradec Kralove Plachta jih (EUR 1.6 million) and Bezecka (EUR 1.2 million).

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

In the freehold buildings and land categories, the Budapest Stock Exchange, the Paris Department Store, the Riverside II and Na Poříčí have been transferred to properties under development after the obtention of the construction permit and to Land where it is fair valued. Since the Berlin's headquarter moved to Ku Damm 103, the building is as of now classified as own occupied buildings under IAS16.

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

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

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

Additional information on the main acquisitions :

Orco Germany SA acquired GSG. Including liabilities, the fair value of the buildings acquisition price amounts to EUR 408 million. With about 800,000 sq m commercial and light industrial space and 1.200 tenants GSG is the biggest provider of commercial property in the German capital. This transaction reinforces Orco's position in Germany and particularly on the Berlin market as a top player.

Gebauer Höfe is located in the inner city district of Charlottenburg-Wilmersdorf, approximately five kilometres west from the centre of Berlin. The Property, situated in a popular area for businesses, is located on the south bank of the River Spree with various underground stations located approximately

one kilometre from the Property and several bus routes passing by on roads close to the Property. The Property consists of a variety of different styles, with a mixture of recently constructed office buildings to converted old warehouse buildings. The buildings that front onto the road are mostly retail on the ground floor with offices above. To the rear of the building is an old warehouse, which has been converted to hold a bike shop and coffee shop. An underground car park is accessible via the rear courtyard and is located under one of the newer office buildings.

Kings Court on Mostecka street is located approximately 150 m west of Charles Bridge and in close proximity to Malostranske Square. Surrounding buildings typically comprise retail and restaurant uses on ground floor and residential or hotel premises above. Access to the subject site is possible via car and public transport. A number of tramlines have a stop on Malostranske Square. According to the existing planning situation the Property can be reconstructed into a luxurious residential property.

Hradcanska: the Property is located on Milady Horákové, a busy radial road with numerous tramlines having stops in front of the property and a metro A station with its entrance directly underneath the property. Visibility of and access to the property is very good although parking is very limited. The Property was built between 1987 and 1989 and comprises of ca. 17,700 sq m of gross external areas of primarily office space and some retail units on the ground floor. The building was constructed around a concrete frame under a flat roof. It has a stone clad façade and characteristic glazed features. The project foresees a basic refurbishment of the office and retail premises to upgrade them to a good grade B specification.

Hlubocky: the Property comprises of an existing industrial complex and a new logistics building currently being developed. The Property is located in Hlubocky u Olomouc, ca. 9 km from the city of Olomouc, and is in the vicinity of a small, principally residential area, although the immediate vicinity of the Property contains a number of existing warehouse buildings which form an 'out-of-town' industrial park. The industrial area containing the Property is situated directly off of the Olomoucká road running through the town, which ultimately joins the much larger 635 and R35 highway. This larger road network provides access to Ostrava to the East, and also Brno and Prague to the West via the D1. The existing building is currently occupied by a single tenant, MORA Aerospace, who has a lease for the entire building space, due to expire in Q3 2013.

Orco House, building located at Capellen in the Grand-Duchy of Luxembourg, is the first important investment on the Luxembourg real estate market. The building develops 7.721 sq m and 324 parking bays. Save 926 sq m, the building is entirely let to first class tenants. Part of it will be used by Orco Property Group as headquarters. The Group is thus now having its seat at 40 Rue Pafebrüch, L-8308 Capellen.

City Gate project relates to the former VUB Bank building located in Bratislava. On the ground floors, Orco plans to develop a modern shopping centre and exclusive restaurant. The second floor will be dedicated to A-class offices. The remaining floors will be used for residential units and luxury apartments. The reconstruction is scheduled for completion at the end of 2008.

The two interconnected buildings, Dunaj1 and Dunaj2, incorporate circa 10,000 sq m of shopping space and storage area. Orco plans to develop a modern shopping centre and, in the upper floors, high quality office space. Orco is already under negotiations with a number of potential tenants. The future retail and office tenants mix will represent some well-known brands and companies, as yet unseen in the Slovak capital city.

Szervita Square, situated in the 5th district of Budapest, in the CBD, comprises of an office building on two individual plots and a car park building. The office building was built in 1973 and comprises of ten floors totalling 6,006 sq m of office space. The office building is already vacant. The car park comprises of a building of 12,694 sq m, built in 1973. The building consists of 9 floors, providing 342 parking lots and 380 sq m of office space. The building also incorporates a petrol station, a car rental, a travel agency and a car showroom. The Group intends to demolish the building and the neighbouring office building and re-develop both properties to provide a state of the art office and parking facility comprising retail units on the ground floor and on the 1st floor, offices on 12 upper

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floors and a car park on four underground levels, totalling 3,457 sq m of retail, 8,643 sq m of office space and 554 parking lots.

Marki: located in the eastern suburbs of Warsaw, the subject Property comprises of a production/warehouse building constructed in 1970's providing 33,797 sq m of rentable area, as well as development land currently build up with some buildings designated for demolition. The main building is subject to three leases and part of it remains vacant. The building in general represents poor condition and standard of finishes, only office accommodation was refurbished some time ago and represents fair standard. In respect of vacant space we have incorporated refurbishment costs at the level of EUR 1,521,000, which need to be incurred prior to letting the space.

Orco Germany has acquired the site in the centre of Berlin that used to be the Wertheim complex. What was once the Wertheim complex and is not being used at present is the last site available for development in the new "Mitte" of Berlin. The new "Mitte" is considered to be the top address for national and international companies and customers. The Sony Center, the DaimlerChrysler quarter and the Beisheim Center are right next to Leipziger Platz. The acquisition price per constructible square meter is 20% lower than recent transactions in the area. This new development will fill the most important gap between the centres of East and West Berlin. With a land area of more than 22 000 sq m, the project will be carried out directly on Leipziger Platz right next to Potsdamer Platz. Viterra Development, a subsidiary of ORCO Germany, will be responsible for the project management. The planned area of 88 000 sq m enables varied use to be made of office and retail space as well as residential units and hotels.

Otrada, a wide ranging residential project near Moscow will be developed in four phases. Otrada Phase 1 includes 14 luxury villas of 3 960 sq m gross buildable area. In addition Otrada has a large reserve, stretching over several hectares, that binds an intention of building luxury low-rise apartment buildings (Phase 2).

Szosa Polska: a 7.3ha parcel in Szczecin to be developed with 41,834 sq m sellable area of affordable housing situated in buildings with 3 or 4 storeys plus proposed approximately 2,000 sq m of retail rentable area. The project will be designed by Swedish Architect 'White'. The concept will be developed using as much sustainable principles. The project will bring something new to the Polish market in terms of the product and the way it will be constructed. We are focused on construction with pre-fabrication and using new renewable materials such as timber. The product will be energy efficient and socially sustainable.

Przy Parku is a development site, located in Ochota district of Warsaw, designated for multifamily residential scheme comprising 4,247 sq m sellable area (58 apartments) and basement car parking providing 64 places. The 3 storey buildings will represent high standard of finishes and will incorporate intelligent and energy saving solutions.

Origo Film Studio: the Property is located in the 15th District of Budapest, at the edge of the City, approximately 12 km Northeast of the Downtown of Budapest, in the vicinity of the Northern section of M0 Motorway. The Property is a rectangular shaped, vacant, former agricultural land, comprising 175,941 sq m. The new regulatory plan will be accepted soon. Orco plans to erect a film studio complex comprising several buildings totalling 42,000 sq m. There is a signed 15-years lease contract for the film studio with gradually increasing rent which reaches EUR 4.12 million from the third year after completion.

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List of major investment properties

Freehold Buildings	2006 Revaluation	Fair Value 31.12.06	2007 Revaluation	Fair Value 31.12.07
Germany				
GSG	-	-	28,182	434,300
Cumberland Haus	4,875	44,400	16,196	61,660
Franklinstraße 15	-	-	4,819	47,720
Wasserstrasse	-	-	4,545	10,580
Max Planck Strasse	-	10,140	1,559	11,970
Kurfurstendamm 102	-	-	1,473	9,810
Immanuelkirchstrasse 3-4	204	11,000	1,260	12,400
John Schehr Str 64	-	-	538	2,310
Reinhardtstrasse 18	-	-	523	9,210
Breite Str 15	161	1,700	427	2,460
Pappelallee 3-4	-	-	418	5,680
H2 Office	-	3,250	384	3,910
Prenzlauer Allee 195	-	-	302	2,140
Zionkirchstrasse 7	-28	1,800	293	2,280
Boxhagener Str 106	-	-	142	2,410
Wupperstrasse 9	-	-	15	5,020
Danziger Str 73 77	1,419	6,500	-93	7,105
Brunnenstrasse 25	3	2,217	-203	2,140
Kollwitzstrasse 71	198	2,230	-211	2,560
Tucholskystrasse 39	-	-	-242	2,260
Brunnenstraße 156 & Invalidenstraße 112	-	-	-420	9,050

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Freehold Buildings	2006 Revaluation	Fair Value 31.12.06	2007 Revaluation	Fair Value 31.12.07
Czech Republic				
Na Porici *	8,433	43,440	5,513	-
Stribro	-	-	2,270	9,200
Hlubocky	-	-	2,047	12,930
Luxembourg Plaza	7,920	28,800	2,040	31,550
Brno Shopping Centre	350	5,600	1,011	6,930
Londynska 41	484	5,490	882	6,380
Kazacka 2 Londynska 39		7,450	801	8,170
Hradcanska	-	-	774	22,000
Anglicka 26	200	5,900	340	6,280
Nad Petruskou 8	500	3,800	280	4,080
Manesova 28	430	5,730	155	5,900
Belgicka 36 - Na Kozacce	1,901	8,659	78	8,440
Bubenska	9,491	37,212	-255	37,186
Mostecka	-	-	-332	22,320
Slovakia				
City Gate	-	-	3,836	26,230
Pivovar Stein	-	21,620	-453	22,150
Dunaj	-	-	455	19,500
Kohal	-	-	639	5,100
Hungary				
Headquarters of Budapest Bank	2,520	34,350	3,643	38,000
Paris Department Store *	1,511	12,500	2,549	-
Budapest Stock Exchange *	7,800	37,800	-	-
Szervita Square	1,470	9,200	819	18,800
Budapest Bank	1,200	4,950	1,472	6,420
CIB Bank Budapest	-	6,710	1,224	8,000
Starlight Suite Hotel (50% sold to AIG)	5,000	8,600	384	4,492
Revay Office	427	4,520	-226	4,340
Poland				
Marki	-	-	677	7,750
Luxembourg				
Orco House	-	-	-	27,500
Other	10,240	94,098	7,360	43,813
Total Freehold Buildings :	66,709	469,666	97,890	1,060,436

* consists in transfer between categories

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Land and Land bank	2006 Revaluation	Fair Value 31.12.06	2007 Revaluation	Fair Value 31.12.07
Czech Republic				
Bubny	34,549	80,000	7,963	95,000
Praga	5,948	9,027	4,539	15,180
Benice	2,586	24,340	3,562	29,000
Hradec Kralové Plachta Jih	-	-	3,161	4,980
Mezihori	-	-	2,191	2,850
Vavrenova	-	-	1,098	3,400
Slunecny vrsek Phase 3	-	2,946	481	3,883
Doupovska	1,761	3,500	357	4,000
Bellvue Grand	-1,066	3,275	109	4,110
Pivovar Vrchlaby	22	2,400	2	2,500
Na Porici *	-	-	-2,558	16,714
Radio Free Europe Hagibor	-	17,400	-4,584	12,700
Germany				
Leipziger Platz	-	-	19,544	98,520
Helberger	-	17,725	885	19,840
Russia				
Otrada	-	-	-	41,270
Hotel Pokrowka	8,348	17,040	-	-
Poland				
Szosa Polska	-	-	947	9,200
Przy Parku	-	-	-43	5,900
Jozefoslaw	1,033	10,587	-257	12,200
Hungary				
Origo Film Studios	-	-	883	10,000
Paris Department Store *	-	-	55	7,200
Budapest Stock Exchange *	-	-	1,880	18,000
Other	3,772	31,456	1,721	26,907
Total Land and Land bank:	56,953	219,696	41,936	443,354

	2006 Revaluation	Fair Value 31.12.06	2007 Revaluation	Fair Value 31.12.07
Buildings under finance lease:	-135	1,375	155	1,590
Extended stay hotels:	-880	58,701	4,182	59,567

TOTAL :	122,646	749,438	144,163	1,564,947

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9. Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance at 1 January 2006	7 320	3 607	117 443	128 370
Scope variation	64	-	-	64
Investments / acquisitions	342	-	15 071	15 413
Disposal	-	-	-	-
Transfer and other movements	238	-	23 051	23 289
Translation differences	301	245	2 222	2 768
Balance at 31 December 2006	8 265	3 852	157 788	169 905
Scope variation	94 548 (a)	-	-	94 548
Partial sale Hotel portfolio to AIG (b)	-	-1 967	-48 329	-50 296
Investments / acquisitions	7 619 (c)	-	38 318 (e)	45 937
Disposal	-12	-	-	-12
Transfer and other movements	5 337 (d)	-	36 825 (f)	42 162
Translation differences	-3 327	70	624	-2 633
Balance at 31 December 2007	112 430	1 955	185 226	299 611
AMORTIZATION				
Balance at 1 January 2006	507	99	1 730	2 336
Allowance	191	88	2 141	2 421
Reversal of impairment	-105	-	-	-105
Transfer and other movements	-150	-	-192	-342
Translation differences	25	16	52	93
Balance at 31 December 2006	468	203	3 731	4 402
Partial sale Hotel portfolio to AIG	-	-108	-1 046	-1 154
Allowance	488	7	801	1 296
Transfer and other movements	5	-	845	850
Translation differences	-10	5	52	47
Balance at 31 December 2007	951	107	4 383	5 441
NET AMOUNT AT 31 December 2007	111 479	1 848	180 843	294 170
Net amount at 31 December 2006	7 797	3 648	154 057	165 502

In 2007

The scope movement ^(a) refers mostly to the acquisition of Molcom (EUR 92.1 million), a logistics company acquired in Russia (please refer to note 6 for more information detailing this business combination) and to GSG's headquarters acquired by Orco Germany S.A. for EUR 2.4 million.

End of November 2007, the Group sold 50% of its hotel portfolio to AIG ^(b). The decrease (EUR - 49.1 million) reflects the change in the consolidation methodology from global consolidation to proportionate one and as such the exit of the 50% of the assets (see note 32 on joint venture).

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

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

During 2007, the hotels ^(e) Adriana (EUR 12.4 million) and Amfora (EUR 25.0 million), both located on Hvar island in Croatia, have opened after global refurbishment. The last phase of refurbishment works of Amfora Hotel is to be completed during the winter season 2007 / 2008.

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Since the Pokrovka Hotel in Moscow ⁽⁶⁾ was opened on September (EUR 32.4 million), the building was transferred from property under construction to this caption.

In 2006

In 2006, the investments relate principally to the refurbishment of Amfora and Riva Hotels on the Hvar island in Croatia. In the south of Poland, the Group acquired the Park Hotel Vienna built in Bielsko Biala alongside the Beskid Mountains.

The transfer relates to the Marriott Courtyard in Prague that entered into operations in the Luxembourg Plaza. The developed building has been transferred from properties under development.

The prepaid operating leases relate to one building serving as an extended stay hotel in Bratislava that was acquired in 2004 (with a remaining term of the lease of 26 years) and to the land on which the Regina hotel and Diana Residence are located (with a remaining term of the lease of 84 years).

10. Fixtures and fittings

	Gross amount	Amortization	Net amount
At 1 January 2006	12 783	-5 386	7 397
Increase	12 973	-5 153	7 820
Assets sales	-2 053	1 519	-534
Transfer	-636	643	7
Translation difference	554	-208	346
At 31 December 2006	23 621	-8 585	15 036
Scope variation	4 069	-	4 069
Increase	14 578	-6 372	8 206
Assets sales	-3 159	2 078	-1 081
Change to proportional consolidation	-8 542	3 727	-4 815
Transfer	-282	-232	-514
Translation difference	395	-260	135
At 31 December 2007	30 680	-9 644	21 036

In 2007, scope movements of fixtures and fittings mainly refer to the acquisition of the logistics company Molcom in Russia (EUR 2.8 million) and to the acquisition of GSG in Germany (EUR 1.2 million).

Main increases are due to investments made on the Hvar Island in Croatia, principally for the hotels Amfora, Adriana and Riva (EUR 2.3 million), and to investments done by the hotel Pokrovka in Russia (EUR 2.2 million) and Andrassy Hotel in Hungary (EUR 0.5 million). The Group's mother company, Orco Property Group S.A., also made some investments (EUR 1.1 million).

Change to proportional consolidation represents the impact of the joint-venture made with AIG (sale of 50% of the shares of Hospitality Invest S.à r.l). Please refer to note 6 for further details concerning this transaction.

In 2006, the main investments were realised on the Hvar island (EUR 3.0 million), in Prague for the hotel Lucemburska Marriott (EUR 2.2 million) and in Poland with the acquisition of Park Hotel Vienna (EUR 1.7 million). The same year, most sales of fixtures and fittings were realised by Suncani Hvar hotels (EUR 1.3 million).

11. Properties under development

The caption Properties under development also includes advance payments for EUR 5.1 million (2006 EUR 5.2 million). These advance payments essentially relate to the acquisition of various projects in Czech Republic. The rest represents the buildings under construction that have known the following evolution :

	December 2007	December 2006
Opening Balance	28 159	21 601
New projects and work in progress	40 700	44 006
Finalized projects	-18 476	-39 927
Transfer and other movements	46 690	1 107
Translation differences	2 125	1 372
Total	99 198	28 159

In 2007, the work in progress represents several investments made during the year for the following projects :

Radio Free Europe (EUR 16.8 million) and Na Porici (EUR 2.0 million), located in Prague;

Sky Office (commercial development in Düsseldorf), for EUR 10.4 million;

Budapest Stock Exchange (EUR 2.1million) and Paris Department Store (EUR 2.0 million), both located in Budapest;

Pokrovka Hotel (EUR 2.7 million) in Moscow;

Peugeot (EUR 1.2 million) in Warsaw.

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

Transfers and other movements represent several reclassifications of projects, among which :
Sky Office, in Germany, reclassified from Properties under development to Inventories (EUR - 10.4 million);

Na Porici (office development in Prague, Czech Republic), reclassified from Investment properties to Properties under development (EUR 30.3 million);

Budapest Stock Exchange and Paris Department Store in Hungary, reclassified from Investment properties to Properties under development (respectively EUR 21.7 million and EUR 8.1 million).

In 2006, the work in progress represents the investments in the hotels on the Hvar island before the start of the summer season (EUR 13.2 million), the finalization of the Luxembourg Plaza Building (EUR 9.2 million), the construction started in the second half of 2006 of the new Radio Free Europe headquarters in Prague (EUR 2.9 million) and the extension of MaMaison Hotels & appartments' activities in Russia with the Pokrovka project (EUR 12.2 million). After its finalization the Luxembourg Plaza building was transferred in investment properties for the offices for rent part (EUR 11.3 million) and, in Hotels and own occupied buildings for the hotel part (EUR 18.4 million).

12. Financial assets at fair value through P&L

This line mainly includes the non eliminated portions of the equity loans granted to joint-ventures for EUR 41.6 million (EUR 4.4 million in 2006) out of which EUR 40.3 million correspond to 50% of the loan granted to the hospitality joint-venture with AIG and the fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 33.4 million (EUR 14.2 million in 2006).

As at December 2007, the Endurance fund managed by the Group (see note 30) had been divided in two specialised sub-funds. One is investing in office investment properties and the second is investing in residential developments and properties. In conformity with IAS39, these investments are accounted for at their fair value with variations going through the income statement. The change in fair value recorded in 2007 amounts to EUR 2.5 million (EUR 0.7 million in 2006). The fund prepares consolidated financial statements as at 30 September each year and interim consolidated financial statements as at 31 March.

13. Inventories

	December 2007	December 2006
Opening balance	248 884	55 637
Acquisition of Viterra	-	98 067
Acquisition of Molcom	953	-
Sky Office transfer from property under construction	41 300	-
Transfer to investment property	-10 802	55 808
Net impairments	-5 879	2 563
Other variations	49 243	36 808
Total	323 699	248 884

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

In 2007

Since the Sky Office (EUR 41.3 million) construction started in Düsseldorf, the whole project was transferred from property under construction to inventories as the destination of the project changed. All the other transfers relate to plots and buildings transferred to investment properties when no building permit has been obtained yet: H2 Office in Duisburg (EUR - 3.3 million), Kosic phase III (EUR - 3.1 million), Novè Dvory (EUR - 1.4 million), Peugeot project (EUR - 1.9 million) and Drawska (EUR - 1.6 million) both located in Warsaw.

On the basis of a new DTZ valuation, impairments have been recognised on Nove Medlanky in Brno (EUR - 2.7 million), Kosic phase I (EUR - 1.5 million) and various projects within IPB Real amounting to (EUR - 1.1 million).

In 2006

In the year ended 31 December 2006, all the transfers relate to plots and buildings transferred from investment properties and particularly for the Zlota Tower in Warsaw (EUR 23.1 million), Fehrbelliner Hofe in Berlin (EUR 6.2 million) and Koliba in Bratislava (EUR 6.1 million).

On the basis of a DTZ valuation, the impairments recognized in December 2005 on a development in Hungary (EUR 1.7 million) and on a development in the Czech Republic (EUR 0.9 million) have been reversed in 2006.

14. Credit risk

All the financial assets held by the Group as at December 2007 and 2006 are fully performing, except the details given in the note below and notably the trade receivables.

	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade receivables gross	14 684	8 616	27 500	1 802	8 817	61 419
Provision for impairment of receivables					-8 817	-8 817
December 2006	14 684	8 616	27 500	1 802	0	52 602
Trade receivables gross	53 746	8 970	608	1 567	9 183	74 074
Provision for impairment of receivables					-9183	-9 183
December 2007	53 746	8 970	608	1 567	0	64 891

In 2007, the Group has recorded impairments on trade receivables amounting to EUR 1.4 million (mainly EUR 0.5 million in Germany, EUR 0.3 million in Poland and EUR 0.3 million in Slovakia) and a reversal of impairment of EUR 1.3 million (EUR 0.8 million in the Czech Republic, EUR 0.4 million in Germany). Furthermore the Group increased its impairments on receivables through the acquired businesses for EUR 0.2 million.

On acquisition, GSG, Molcom and NWDC have contributed to the Group trade receivables for EUR 4.6 million, EUR 0.9 million and EUR 1.8 million respectively, the rest of the growth is a reflection of the increased sales of the Group.

In 2006, the trade receivables with an overdue time greater than six months related mainly to German residential developments (EUR 27.0 million) and have been recovered in 2007.

Under the caption Other receivables, there is an amount overdue of EUR 3.0 million (same amount in 2006) on which an impairment of Eur 2.3 million has been recognised (EUR 1.3 million in 2006) mainly related to receivables on general contractors in Germany.

Current financial assets are composed by a diversified portfolio of investments in listed and non-listed companies and funds, none of those investments exceed EUR 3 million.

The credit risk of the Group is mitigated considering the large number of bank counterparties in each country where operates the Group.

The table below shows the rating and the balance of the five major bank counterparties at the balance sheet date.

In Eur million Counter party	Rating Agency		December	
	Moody's Rating	S&P's Rating	December 2007	2006
KBC	Aa3	A+	57,2	-
Fortis	Aa2	AA-	22	-
CSOB	A1	-	9,1	7,4
Berliner Volksbank	-	A+	5,3	4,5
Calyon	Aa1	AA-	1,2	10,6
			94,8	22,5

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15. Currency risk

The following table gives the impact in absolute terms in EUR million of the variation (increase / decrease) by 5 % against the Euro for each currency in which the Group has a significant exposure.

December 2007	Increase of 5% against EUR
CZK/EUR	6.2
PLN/EUR	3.9
HUF/EUR	5.2
SKK/EUR	2.0

Positions in foreign currencies have increased since December 2006 due to the increased portion of development projects in the Group portfolio outside the Eurozone. These projects enjoy indeed a lower leverage than investment properties and require higher equity financing from Luxembourg holding companies. These financing can be whether expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euros in companies having another currency as functional currency.

Current financial assets

	December 2007	December 2006
Shares	9 390	4 430
Money market placements	1 832	16 021
Total	11 222	20 451

17. Cash and cash equivalents

As at December 2007, the cash and cash equivalents consist of short term deposits for EUR 81.1 million (EUR 1.9 million in 2006), cash in bank for EUR 176.6 million (EUR 96.2 million in 2006) and cash in hand for EUR 0.3 million (EUR 0.2 million in 2006).

18. Held for sale activities

As at 31 December 2007, there are no held for sale activities anymore, as Stein Brewery (acquired by the Group end of December 2006), has been sold.

As at 31 December 2006, held for sale activities consist of the brewing and beer distribution activities of the Stein Brewery acquired by the Group end of December 2006. The Group intends to sell these activities and transform this industrial site into new office, residential and probably hotel buildings.

19. Minority interests' transactions
2007

On the GSG transactions (see note 6) the Group equity increased by EUR 5 million reflecting the gain on the positive difference between the average price per share of the capital increase subscribed by MSREF and the value per share of Orco Germany in the consolidated financial statements of Orco Property Group. The increase of minority interests by EUR 69.1 million results from the contribution of MSREF V in the transaction.

The other minority interest transactions result mainly from the following events:

In February 2007, Suncani Hvar dd proceeded to a capital increase that has been subscribed by the Group, the croatian state privatisation fund and a few minority shareholders but not all of them. As a

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result the minority interests in absolute terms increased by EUR 6.3 million and the shareholding of the Group in Suncani Hvar dd has slightly gone up from 47.1% to 47.6%.

The Group acquired the control of Molcom on the first of April 2007 (see note 6) through a company held at 80%. In the second half of 2007, the partner in this holding structure has increased its share to 30%. Additionally, during the second semester, the Group has acquired 60% of the shares in Otrada Development o.o.o.. All these transactions have lead to an increase of the minority interests of EUR 39.6 million.

The sale to the residential Endurance sub-fund of 25% in four residential developments in Poland (Zlota, Szczecin and Jozefoslav) and the Czech Republic (Praga 10) resulted in an increase of the minority interests amounting to 4.0 million and a gain recognized in other operating income amounting to EUR 6.3 million.

2006

The Group acquired during the first quarter of 2006 the last minority interests present in the capital of Orco Hotel Group increasing its shareholding to 100%. This acquisition has been paid through a cash transaction amounting to EUR 0.3 million.

The capital holding structure of MaMaison Résidences has gone through two opposite movements during 2006:

Two buildings in Prague (Americka Park and Masaryk) have been sold by MaMaison Résidences to Orco Property Group SA through a share deal. The holding of the Group in those buildings has then increased from 71% to 100%.

Capital increases in July and August 2006 for a total number of shares of 8,458 for a total amount of EUR 8.5 million. Since the Group only subscribed to 52% of this capital increase, it has been diluted in the capital from 71% to 66%.

Exercise by EBRD of a put option for their share in the capital at mid December 2006 (approximately 34%) at a price of EUR 17.1 million. This amount has been paid in cash in January 2007. As a result of this last transaction no minority interests are shown on the Group consolidated balance sheet as at December 2006 but it has not been taken into account for determining the Group share in MaMaison Résidences 2006 last quarter net results.

Finally, while holding 100% of the capital of Orco Germany as at December 2005, the Group has been diluted to 80% as at December 2006. This dilution results from the following movements:

In January and March 2006, 35% of Orco Germany has been sold to the Group's Management.

Capital increases in June, August and November increasing the number of shares from 2.8 million to 34.6 million out of which the Group subscribed 82% for EUR 87.0 million.

The Group sold 0.9 million shares on the Market.

20. Borrowings

20.1 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. In 2007 the non-current bonds and financial debts amount to EUR 1.30 billion.

The Group hedged 65.8% of the floating rate borrowing amounts, in order to limit the risk of the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

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

Current

Bonds and financial debts

Bank loan fixed rate	40 669	-	-	40 669
Bank loan floating rate	119 667	-	-	119 667
Others borrowings	14 880	-	-	14 880
Total	175 216	-	-	175 216

The other non-current borrowings represent 50% of the equity loan granted to Hospitality Invest S.à r.l. by AIG.

Fair value of short term and long term fixed rate debt as at 31 December 2007 (including bonds) amounts to EUR 491.6 million, whereas the total book value as at 31 December 2007 is EUR 524.1 million.

At 31 December 2006	Less than one year	1 to 5 years	More than 5 years	Total
Non-current				
Bonds	-	56 176	184 679	240 855
Convertible bonds	-	5 768	120 208	125 976
Exchangeable bonds	-	-	23 172	23 172
Bonds	-	50 408	41 299	91 707
Financial debts	-	204 419	110 686	315 105
Bank loans	-	203 644	107 568	311 212
Fixed rate	-	39 143	24 617	63 760
Variable rate	-	164 501	82 951	247 452
Other non-current borrowings	-	775	1 961	2 736
Finance lease liabilities	-	-	1 157	1 157
Total	-	260 595	295 365	555 960

Current

Bonds and financial debts

Bonds	4 210	-	-	4 210
Bank loan fixed rate	23 615	-	-	23 615
Bank loan variable rate	66 077	-	-	66 077
Others borrowings	1 384	-	-	1 384
Finance lease liabilities	84	-	-	84
Total	95 370	-	-	95 370

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Bank loans include amounts secured by a mortgage on properties and/or a pledge on the shares of the companies benefiting from the loan to the value of EUR 967.1 million (EUR 400.9 million as at 31 December 2006). In general Orco Property Group S.A. has granted its guarantee in favour of the bank for each of the subsidiaries.

The guarantees granted to financial institutions remain fully valid until complete reimbursement of credits. No partial waiver on pledge or mortgage has been scheduled.

The carrying amount of the Group's borrowings is denominated in the following currencies :

	December 2007	December 2006
EUR	1 281 478	502 155
CZK	141 539	113 113
PLN	19 691	7 341
SKK	31 501	15 646
RUB	75	-
HRK	5 468	13 075
Total	1 479 752	651 330

Convertible bonds 2004-2011

During the first quarter of 2007, Orco Property Group used its call option on the convertible bonds 2004-2011. Since the issuance 999,576 bonds were converted out of 1,001,563 convertible bonds. On 26 March 2007 Orco Property Group reimbursed in cash 1,987 non-converted bonds. The convertible bonds 2004-2011 issue is consequently closed. The original convertible bonds had the following terms:

Bonds

Nominal EUR 32,450,641.20

Number of bonds 1,001,563 at issue. 0 after exercised conversion.

Issue price at par value, EUR 32.40

Redemption price if not converted 111.76% of par at EUR 36.21, i.e. a gross yield-to-maturity of 6.80%

Nominal interest rate 5.5%

Conversion price EUR 32.40

Conversion ratio One new share for one bond

Issuance date 22 September 2004

Conversion at the discretion of bondholder From the issuance date until 15 December 2011. The final redemption date is on 24 December 2011.

The issuer's call rights As of 1 April 2006, i.e. the first day of the 19th month following the issuance date, should the Orco Property Group share be at or above the price of EUR 40.50, bondholders who have not converted after a 30-days call notification period will receive, in addition to redemption of principal and interest accrued, a redemption premium allowing them to achieve a gross yield-to-maturity of 8%.

ISIN FR00101018704

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Listing

Euronext - Paris

At issuance the funds raised with this convertible bond have been divided into a long-term debt component and an equity component. The costs linked to the issuance of the bond were deducted from the funds raised. The equity component, classified in other reserves, represented the market value on the date of the issuance of the call options embedded in the convertible bond. The difference between the debt component and the par value of the bond was taken in profit and loss accounts using the effective interest method.

Balance at 31 December 2005	21 878
Interest accumulated during the period	245
Own bonds	-2 253
Conversion rights exercised	-14 102
Balance at 31 December 2006	5 768
Interest accumulated during the period	102
Conversion rights exercised	-5 870
Balance at 31 December 2007	-

As at 31 December 2006 Orco Property Group owned 70,000 bonds.

Exchangeable bonds in Suncani Hvar shares

The acquisition of Suncani Hvar dd has been financed by a private placement of an exchangeable bond issued by the Company under the following terms:

Bonds

Nominal EUR 24,169,193.39

Issue price EUR 26.03

Issue date 30 June 2005

Nominal interest rate 5.5 %

Exchange at the discretion of bondholder between 1 July 2010 and 11 June 2012 in Suncani Hvar dd share, one share for one bond.

Repayment date the non exchanged bonds will be reimbursed in cash on 30 June 2012

ISIN XS0223586420

Listing Luxembourg Stock Exchange

As at 31 December 2007, no bond had been exchanged.

The funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a long term derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The derivative component of EUR 9.3 million (EUR 13.6 million in 2006), classified in non-current financial obligations, represents the market value of the call options embedded in the bond. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

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Balance at 31 December 2005	23 108
Interest accumulated during the period	144
Own bonds	-80
Balance at 31 December 2006	23 172
Interest accumulated during the period	160
Own bonds	-2 704
Balance at 31 December 2007	20 628

As at 31 December 2007, the market price of Hvar dd shares on the Zagreb Stock Exchange was HRK 180.00 (HRK 201.32 at 31 December 2006). As at 31 December 2007 Orco Property Group owned 92,221 exchangeable bonds (2,500 in 2006).

Bonds with repayable subscription warrants (“OBSAR 1”)

Orco Property Group launched an exchange offer on the 2012 callable warrants (BSAR 2012) (ISIN code: LU0234878881). Each holder of warrants was entitled to elect to receive, for every 3 BSAR 2012, 1 new share and 3 new BSAR 2014 (ISIN code: XS0290764728). The exchange offer for which a prospectus was approved by the Commission de Surveillance du Secteur Financier (CSSF) on 22 October 2007, on the 2012 callable warrants, met considerable success. The offer closed on 16 November 2007 with 1,077,934 2012 callable warrants tendered into the offer (success rate of 98.07%).

As a consequence:

359,287 new shares have been issued.

1,077,861 new 2014 callable warrants (exercise price of EUR 146.39) have been issued. The number of warrants reaches 2,871,021. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2014 callable warrant exercised at EUR 146.39 in 2014.

The number of existing 2012 callable warrants (exercise price of EUR 68.61) is thus reduced to 21,161. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2012 callable warrant exercised at EUR 68.61.

Please refer to the provisions of section 4.2.2.4.1.2. of the non-audited prospectus approved by the CSSF and dated 22 March 2007, for more information about the new exercise ratio.

Bonds

Nominal	EUR 50,272,605.30
Number of bonds	73,273
Nominal value per bond	EUR 686.10
Issue price per bond	EUR 682.38
Redemption	18 November 2010

Normal Redemption at par, EUR 686.10 per bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group S.A. share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is equal to or greater than the Exercise Price of the Redeemable Share Subscription Warrants, at 120% of par, that is EUR 823.32 per Bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group share on the Euronext Paris S.A.

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Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is less than the Exercise Price of the Redeemable Share Subscription warrants.

Early Redemption Option for the Group to redeem all bonds at 120% of the par value on any Interest Payment Date subject to one month's notice to bearers before the early redemption date.

Nominal interest rate	4.5%
ISIN	FR0010249599
Listing	Euronext - Paris

Warrants

Number of warrants	21,161 (corresponding to an initial ratio of 15 warrants/issued bond)
Exercise ratio	one warrant gives the right to 1.03 share
Exercise price	EUR 68.61
Exercise period	until 18 November 2012
Early repayment	From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01 if the average share price over the last 10 days preceeding 19 November 2007 is higher than EUR 96.05.
ISIN	LU0234878881
Listing	Euronext - Paris

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 3.7 million reduced by EUR 1.1 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 3.4 million (EUR 2.5 million in 2006), classified in non-current liabilities under the caption Derivative Instruments, represents the market value of the redemption premium granted to the bondholder if the average market price of Orco shares does not reach a certain level before the repayment date. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance at 31 December 2005	39 378
Interest accumulated during the period	1 921
Balance at 31 December 2006	41 299
Interest accumulated during the period	1 909
Balance at 31 December 2007	43 208

Convertible bonds 2006-2013

Bonds

Nominal	EUR 149 999 928
Number of bonds	1 086 956
Nominal value	EUR 138.00
Issue price at par value,	EUR 138.00
Redemption price if not converted	138.62% of par at EUR 191.29; i.e. a gross yield-to-maturity of 5.65%
Nominal interest rate	1.0%
Normal Redemption	the non converted bonds will be reimbursed in cash on 31 May 2013.
Conversion ratio	One new share for one bond

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Issuance date	01 June 2006
Early Redemption	Subject to the one month's notice to bearers before the early redemption date, the Company may redeem all bonds from 1 July 2008 under the condition that the share price of Orco Property Group exceeds 130 % of the issue price during 30 consecutive days after 1 June 2008. The bondholders who did not convert within 30 days will, on top of the par and accrued interest, receive a reimbursement premium giving them a 5.65 % IRR
ISIN	FR0010333302
Listing	Euronext - Paris

Debt component on issue	118 093
Interest accumulated during the period	2 375
Own bonds	-260
Balance at 31 December 2006	120 208
Interest accumulated during the period	11 175
Own bonds	-1 621
Balance at 31 December 2007	129 762

As at 31 December 2007, no bond had been converted.

The funds raised with this convertible bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component net of deferred tax, classified in other reserves, represents the market value on the date of the issuance of the call options embedded in the convertible bond.

As disclosed above, the terms of the issuance include a redemption premium to be paid by the Group if the option is not converted. In accordance with IAS32 prescriptions, this premium is amortized as interest over the lifetime of the bond.

As at 31 December 2007 Orco Property Group owned 12,237 bonds (1,777 in 2006).

CZK 1.4 billion floating rate bond ("Czech Bond")

Bonds

Nominal	CZK 1 400 000 000
Number of bonds	140
Nominal value	CZK 10 000 000
Issue price	CZK 10 000 000
Nominal interest rate	6M Pribor + 2.20%
Issuance date	03 February 2006
Next interest rate fixing date	31 January 2008
Final redemption date	03 February 2011
ISIN	CZ0000000195
Listing	Prague Stock Exchange

Debt component on issue	48 684
Interest accumulated during the period	114
Translation differences	1 610
Balance at 31 December 2006	50 408
Interest accumulated during the period	124
Translation differences	1 674
Balance at 31 December 2007	52 206

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As mentioned in the prospectus related to the Czech Bond and approved on 26 January 2006 by the Securities Commission of the Czech Republic (the "Czech Bond Prospectus"), there are 2 Czech Rating Agencies (the "CRA") ratings outstanding at the date of the issuance of the Czech Bonds: "czP-2" for the long term international CRA rating and "czA-" for the long term local CRA rating. Furthermore the Czech Bond Prospectus states that if CRA withdraws the above-mentioned ratings, the Company shall ask a well-known rating agency in the Czech Republic to issue a rating within 6 months. If CRA or any other rating agency issues a long-term international CRA rating below "investment grade i.e. Baa-" or a long term local CRA rating below "investment grade i.e. czBaa-", any investor in the Czech Bonds may call for the reimbursement of its bonds. The reimbursement would then be due on the last business day of the month following the month of the reimbursement request. On the Company's initiative, Moody's International has issued two ratings: "B2" and "Baa3cz". Since its complete integration within Moody's, CRA cannot issue international ratings any more, but merely local ratings. However, the scale established by CRA in the Czech Bond Prospectus, setting the minimum threshold to "investment grade" for international rating does not fit with the Moody's "investment grade" level. Hence, there is a comparability technical default in relation to the Czech Bonds.

Bonds with repayable subscription warrants ("OBSAR 2")

Please refer to the note on the OBSAR 1 concerning the exchange offer relative to the 2012 callable warrants.

Bonds

Issuer	Orco Property Group SA
Nominal	EUR 175,000,461.60
Number of bonds	119,544
Nominal value per bond	EUR 1,463.90
Issue price per bond	EUR 1,421.45
Redemption	28 March 2014
Redemption price	117.5% of par at EUR 1,720.08, i.e. a gross yield-to-maturity of 7.383%.
Nominal interest rate	2.5%
ISIN	XS0291838992
Listing	Euronext - Brussels

Warrants

Number of warrants	1,793,160 at issuance (corresponding to 15 warrants/issued bond) 2,871,021 after the public exchange offer on the OBSAR 1
Exercise ratio	one warrant gives the right to 1.03 share
Exercise price	EUR 146.39
Exercise period	until 28 March 2014
Early repayment	From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceeding period of 30 consecutive dealing days exceeds EUR 190.31.
ISIN	XS0290764728
Listing	Euronext – Brussels Euronext – Paris

The funds raised with this bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 23.9 million reduced by EUR 6.9 million of deferred

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taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond.

Debt component on issue	139 986
Interest accumulated during the period	5 645
Own bonds	-2 056
Balance at 31 December 2007	143 575

As at 31 December 2007 Orco Property Group owned 1,701 bonds (0 in 2006).

Bonds with repayable subscription warrants (“OBSAR OG”)

Bonds

Issuer	Orco Germany SA
Nominal	EUR 100,100,052
Number of bonds	148,077
Issue price per bond at par value, EUR 676	
Maturity date	30 May 2012
Redemption price at 100% or at 125% of par, depending on the occurrence of specific external events, namely the market price of Orco Germany S.A.	
Nominal interest rate	4%
ISIN	XS0302623953
Listing	Luxembourg Stock Exchange

Warrants

Number of warrants	9,328,851 (corresponding to 63 warrants/issued bond)
Exercise ratio	one warrant gives the right to one share
Exercise price	EUR 16.90 or 125% of the reference share price of Orco Germany S.A. if the latter is lower than EUR 13.52 per share
Exercise period	30 May 2007 until 30 May 2014
Early repayment	From 30 May 2010, the issuer may, upon notice to the warrant holders, redeem the warrants at EUR 0.01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceding period of 30 consecutive dealing days
ISIN	XS0302626899
Listing	Luxembourg Stock Exchange

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 13.5 million reduced by EUR 3.9 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 8.5 million (EUR 1.7 million at issue) classified in non-current financial liabilities under Derivative Instruments, represents the market value of the redemption premium granted to the bondholders if the average market price of Orco Germany shares does not reach a certain level before the repayment date. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Debt component on issue	81 656
Interest accumulated during the period	1 776
Balance at 31 December 2007	83 432

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As at 31 December 2007 Orco Property Group owned 2,937,331 warrants (0 in 2006).

Derivatives

Derivative instruments are presented within other current assets when fair value is positive, in other current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

Derivatives used by the Group include interest rate derivatives, foreign exchange forward contracts, share derivatives and embedded derivatives on bonds.

Share derivatives represent call options on Suncani Hvar shares. The ones classified in assets are exercisable at HRK 100.00, the ones classified in liabilities correspond to the one issued with exchangeable bonds (see note 20.3).

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates.

Foreign exchange derivatives include agreements to buy or sell a quantity of currency at a predetermined future date and rate. Orco Property Group uses foreign exchange derivatives in USD and HUF to cover financing needs for the development of Hungarian projects and the Radio Free Europe project in the Czech Republic.

Embedded derivatives on bonds correspond to the derivatives embedded on the OBSAR (please refer to the notes on the specific bonds 20.4 and 20.8).

Orco Property Group uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates. As at 31 December 2007 the total debt covered by interest rate swaps and collars amounts to EUR 603.9 million (65.8% of the floating rate debt).

	December 2007	December 2006
Share derivatives	14 378	22 216
Interest rate derivatives	2 063	204
Forex derivatives	5 955	175
Total current assets	22 396	22 595
Share derivatives	9 336	13 622
Embedded derivatives on bonds	11 817	2 498
Interest rate derivatives	-	425
Total non-current liabilities	21 153	16 545
Forex derivatives	3 981	-
Interest rate derivatives	891	161
Total current liabilities	4 872	161
Net derivatives	-3 629	5 888

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Movement of non-current bonds

	December 2007	December 2006
Opening	240 855	84 364
Issue of new bonds	221 642	166 777
Interest accumulated during the period	20 892	4 798
Conversion rights exercised	-5 870	-14 102
Translation differences	1 674	1 610
Own bonds	-6 381	-2 593
Total	472 812	240 855

Net interest expenses

	December 2007	December 2006
Interest income	8 911	2 393
Interest expenses	-66 345	-18 133
Net interest expenses	-57 434	-15 740

Average effective interest rates

	December 2007				
	EUR	CZK	SKK	PLN	HRK
Bonds	7,91%	5,19%	-	-	-
Bank borrowings	5,83%	5,69%	5,67%	6,47%	4,88%

	December 2006				
	EUR	CZK	SKK	PLN	HRK
Bonds	5,61%	5,27%	-	-	-
Bank borrowings	5,04%	4,45%	5,83%	5,49%	4,75%

Undrawn credit facilities

	December 2007	December 2006
Expiring within one year	46 246	16 003
Expiring after one year	285 695	59 154
Total	331 941	75 157

Increase of undrawn facilities in 2007 result from credit lines mainly on the following projects:

Sky Office in Germany (EUR 81.7 million)

Radio Free Europe, Na Porici and Kotic in Czech Republic (respectively EUR 32.0 million, EUR 20.7 million and EUR 40.7 million)

City Gate in Slovakia (EUR 21.0 million)

Minimum lease payments

	December 2007	December 2006
More than 5 years	4 421	4 462
Future finance charges on finance leases	-3 290	-3 305
Present value of finance lease liabilities	1 131	1 157

21. Provisions & other long term liabilities

This caption includes other long term liabilities for EUR 4.1 million (EUR 0.2 million in 2006) representing mainly the retention on general contractors' invoices when applicable. The provisions amount of EUR 14.1 million (EUR 11.6 million in 2006) includes specific provisions to cover residential developments' risks for EUR 4.0 million (EUR 1.7 million in 2006) and provisions accumulated to cover the Group's retirement benefit obligations as detailed hereafter.

Retirement benefit obligation:

In the Group, only Viterra Development GmbH and Viterra Baupartner GmbH (acquired in 2006) have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet.

	December 2007	December 2006
Present value of unfunded obligations	7,933	9,237
Unrecognised actuarial gains	2,187	723
Liabilities in the balance sheet	10,120	9,960

The movement in the defined obligation over the year is as follows:

	December 2007	December 2006
Beginning of the period	9237	-
Scope variation	-	8782
Current service cost	156	78
Interest cost	386	196
Actuarial gains	-1470	441
Benefits paid	-375	-170
Transfer amounts	-	-90
End of year	7,934	9,237

The principal actuarial assumptions used were as follows:

	December 2007	December 2006
Discount rate	5.50%	4.25%
Future salary increases	2.75%	2.75%
Future pension increases	2.00%	1.75%

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22. Liquidity and cash flow interest rate risk

The liquidity risk is the risk that Orco Property Group might encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close at market positions. The Orco management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties.

The average lifetime of the Group's financial loans is 4.53 years. Concerning the liquidity risk of the Group, due to the variability of floating interest rates, it is important to analyse the cash flow risk inherent to the floating rate loans and derivatives that will vary over time depending on the market conditions. Other debt instruments have been described in the specific notes of the annual accounts.

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2007 to the contractual maturity date.

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

The specific time buckets presented are not mandated by the standard but are based on a choice by management.

At 31 December 2007	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans	-1,658	-20,340	-18,592	-256,684	-377,576	-674,850
Floating rate loans	-17,372	-61,807	-89,375	-794,157	-152,123	-1,114,834
Interest rate derivatives	187	-182	1,197	-8,256	-33	-7,087
Forex derivatives	-	-8,000	-71,698	-	-	-79,698
Embedded derivatives on bonds	-	-	-	-35,080	-	-35,080
Total	-18,843	-90,329	-178,468	-1,094,177	-529,732	-1,911,549

At 31 December 2006	Less than one year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans	-29,227	-54,673	-280,488	-364,388
Floating rate loans	-69,407	-261,621	-106,071	-437,099
Interest rate derivatives	-162	-	402	240
Embedded derivatives on bonds	-	-10,055	-	-10,055
Total	-98,796	-326,349	-386,157	-811,302

The floating rate loans line presents the projected cash flows, including interests and the reimbursements of the principal, on all the Group's floating rate loans. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2007.

Interest Rate Swaps, Collars and Forex Derivatives used by the Group are detailed in the note 20.9 Derivatives.

As at 31 December 2007, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2008 of EUR 1.3 million. Before the positive impact of derivatives, the increase of interest expenses in 2008 would amount to EUR 6.2 million.

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As at 31 December 2006, , the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2007 of EUR 1.4 million. Before the positive impact of derivatives, the increase of interest expenses in 2007 would amount to EUR 1.9 million.

Current liabilities presented below are stated after intercompany elimination:

At 31 December 2007	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debt	-12 240	-18 510	-144 466	-175 216
Trade payables	-25 589	-17 943	-6 688	-50 220
Advance payments	-1 917	-16 588	-83 173	-101 678
Other current liabilities	-10 213	-26 001	-5 014	-41 228
Total	-49 959	-79 042	-239 341	-368 342

At 31 December 2006	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debt	-	-21 112	-74 258	-95 370
Trade payables	-1 141	-9 625	-44 760	-55 526
Advance payments	-25	-4 390	-58 962	-63 377
Other current liabilities	-3 695	-37 638	-5 331	-46 664
Total	-4 861	-72 765	-183 311	-260 937

The other current liabilities excluded in this table (as not being part of the IFRS definition of financial instruments) represent tax, payroll and social liabilities.

23. Other operating income

The other operating income amounting to EUR 30.9 million (EUR 2.8 million in 2006) include mainly net gains on total or partial sales of operational assets (EUR 27.1 million compared to EUR 0.1 million in 2006). Those gains arised essentially on the partial sale of the hotel portfolio to AIG (EUR 18.6 million see note 6), the sale of 25% in four residential developments to the Endurance residential sub-fund (EUR 6.3 million see note 19), the sale of the Pier Eins office building in Duisburg (EUR 2.3 million) and the sale by appartment of the residential Vinohrady portfolio (EUR 0.7 million).

24. Other net financial results

	2007	2006
Fair value of derivative instruments	-7 717	6 650
Fair value and realised on other financial assets	3 891	2 260
Other net finance charges	-6 937	-870
Other net financial results	-10 763	8 040

The fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds and in fair value of other derivatives (IRS, options and forwards). Please refer to note 20 for further details.

The fair value of other financial assets essentially relates to financial assets at fair value through profit and loss (investment in Endurance Fund compartments) and to short term trading instruments within the treasury management.

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In 2007, there are some other finance charges, among which early repayment fees of pre-acquisition GSG loans (EUR 2.9 million), and withholding tax on interests paid by Polish subsidiaries to Luxembourg Group entities (EUR 0.4 million).

25. Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes of one entity relate to the same fiscal authority. All deferred taxes are supposed to be recoverable after more than 12 months.

	December 2006	Scope variation	Total change in income statement	Change in equity	Translation differences	December 2007
Intangible assets	326	-2,789	440	-17	-	-2,040
Tangible assets	-78,928	-114,478	-11,439	-25,457	-1,287	-231,589
Financial assets	-325	-	1,026	-	-	701
Inventories	-4,476	-	621	18	-34	-3,871
Current assets	-35	-91	109	-	-	-17
Provisions	89	-	-45	57	-	101
Equity	-	79	1,362	-	-	1,441
Long term debts	-9,134	-49	2,483	-10,759	-	-17,459
Current debts	-	-855	872	-17	-	-
Recognized loss carry forward	10,301	-	12,489	-	-249	22,541
Total Deferred taxes	-82,182	-118,183	7,918	-36,175	-1,570	-230,192
Deferred tax assets	6,566					13,748
Deferred tax liabilities	-88,748					-243,940

The income tax rates in the Group vary from 16% in Hungary up to 39% in Germany in 2007.

In 2007, the theoretical tax rate is 31.95% before reduction of tax rates in Germany and Czech Republic applicable as from 2008 (2006: 24.54%).

The effective tax rate of the period is 2.27% (2006: 20.39%). Without the impact of tax rates decrease in Germany and the Czech Republic, the effective tax rate for 2007 would be have been 33%.

The income taxes recognised in the income statement amount to EUR 2.3 million and composed of EUR 10.2 million of current income tax expenses and EUR 7.9 million of deferred income taxes gain. The gain on deferred income taxes mainly arised on the decrease in income tax liabilities (EUR 32.2 million) due to the decrease in the average tax rate in Germany from 39% to 31% and in the Czech Republic from 24% to 21%. The decrease in tax rate affects mainly deferred taxes on tangible assets, which explains the decrease of EUR 11.4 million. In the coming years the tax rate in the Czech Republic will further decrease to 19%.

The change in equity represents the deferred taxes recognized on the share subscription rights embedded in the OBSAR bonds because they have been immediately recognised in equity which are slightly offset by the reversal of deferred taxes on the partial conversion of bonds issued in 2004 and on the revaluation of buildings located in single asset companies since such acquisitions are not considered as business combination under IFRS.

The deferred tax liability on scope variation represents mainly the deferred tax liabilities arising from the acquisition of GSG (EUR 98.8 million) and Molcom (EUR 21.5 million), and the decrease in deferred tax liabilities due to the sale of 50% of the hotel portfolio to AIG (EUR - 2.2 million).

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26. Earnings per share

	December 2007	December 2006
At the beginning of the period	8 389 646	6 792 578
Shares issued	8 389 646	6 792 578
Weighted average movements	1 170 407	893 090
Issue of new shares for cash	1 234 973	920 019
Treasury shares	- 64 566	- 26 929
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	9 560 053	7 685 668
Dilutive potential ordinary shares	966 411	1 946 500
Share subscription rights BSA	-	168 052
Share subscription rights BSAR 2012	371 662	254 650
Convertible bond 04-11	-	259 014
Convertible bond 06-13	-	634 058
Employee stock options	44 750	80 726
PACEO	550 000	550 000
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	10 526 465	9 632 168
Net profit attributable to the Group	87 508	96 699
Effect of assumed conversions / exercises	2 453	5 848
Share subscription rights BSA	-	177
Share subscription rights BSAR 2012	1 165	798
Convertible bond 04-11	-	501
Convertible bond 06-13	-	2 308
PACEO	1 288	2 063
Effect of assumed conversions of potential ordinary shares in subsidiaries	- 184	- 5 154
Orco Germany Warrants	- 184	- 5 154
Net profit attributable to the Group after assumed conversions / exercises	89 777	97 393
Basic earnings in EUR par share	9.15	12.58
Diluted earnings in EUR par share	8.53	10.11

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

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

In February 2006 the Board of Directors of Orco Germany decided to allocate one warrant to each 350 000 existing share at that time. Three warrants giving the right to subscribe to one new share (see note 20.8). After the Extraordinary General Meeting of Orco Germany's shareholders voted the division by 8 of the existing shares and the attached warrants. As a result the 2 800 000 warrants have an exercise price of EUR 4.63 a share and can be exercised up to February 2009.

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27. Equity

27.1 Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2005	6,792,578	27,850	118,964
Exercise of employee stock options	99,500	408	3,075
Exercise of share subscription rights	388,281	1,592	7,339
Conversion of convertible bonds	451,936	1,853	12,790
Exercise of PACEOs 1	165,940	680	10,199
Exercise of PACEOs 2	450,000	1,845	41,957
Dividend paid in shares	41,411	170	3,229
Balance at 31 December 2006	8,389,646	34,398	197,552
Exercise of employee stock options	294,000	1,205	20,615
Capital increase	1,500,000	6,150	166,350
Conversion of convertible bonds	257,027	1,054	7,274
Dividend paid in shares	36,834	151	3,971
PEO Bsar 2012 vs 2014	359,287	1,473	-
Balance at 31 December 2007	10,836,794	44,431	395,762

In March 2007 the Group proceeded to the redemption before due date of the convertible bonds 2004-2011, ISIN code FR00101018704. The bondholders had the possibility to convert their bonds at the conversion ratio of 1 bond for 1 share until 19 March 2007. The bondholders who did not convert their bonds at this date received a supplementary interest assuring them for the total length of their investment a gross redemption return on the basis of 8%. The total amount of the reimbursement was EUR 34.94 per bond (interest from 1 January 2007 to 26 March 2007 of EUR 0.42 on the nominal of EUR 32.40, increased by a reimbursement premium of EUR 2.12).

In June 2007 a capital increase of 1,500,000 new shares at EUR 115.00 per share has been successfully issued, with high demand from a broad range of institutional investors, for admission to trading and listing on the Warsaw and Budapest Stock Exchanges. The Group's shares are now trading on four stock exchanges in Europe.

As at 29 October 2007, the Group launched an exchange offer on the ORCBR 2012 warrants. Each holder of warrants ORCBR 2012 was entitled to elect to receive, for every 3 ORCBR 2012 warrants 1 new share and 3 new ORCOW 2014 warrants. As a consequence 1,077,934 ORCBR 2012 warrants have been tendered into the offer (success rate of 98.07%) and 359,287 new shares have been issued. The Extraordinary Shareholders' Meeting of 14 June 2006 renewed the authorization granted by shareholders to the Board of Directors on 18 May 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorized capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorized capital of EUR 100,000,000, under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors has been authorized and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of

issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorization is valid for a five-year period ending on 14 June 2011.

A total of EUR 44,430,855.40 has been used to date under this authorization. As such, the Board of Directors still has a potential of EUR 55,569,144.60 at its disposal. Considering that all new shares are issued at the par value of EUR 4.10, a potential total of 13,553,449 new shares may still be created.

27.2 Share subscription rights

The Board of Directors decided, in its meeting on 5 November 2003, to initiate the issue of rights allowing their bearers to subscribe to new shares to be issued by the Company, shareholders having waived their preferential subscription right on the basis of new shares likely to be created following right exercise.

Rights had been granted free of charge to all the shareholders who composed the capital of the Company on the day of issue. One share subscription right had been granted free of charge for one Orco Property Group share held at the end of day 14 November 2003.

Three share subscription rights allow to subscribe to one new share to be issued at the unit price of EUR 23. The exercise period spreads from 17 November 2003 to 16 November 2006 included. At issuance, the number of shares created this way amounts to 1,013,191. A number of 11,361 rights was not used and is definitively lost.

27.3 Convertible bonds

See note 20.5

27.4 Repayable subscription warrants

See note 20.4, 20.7 and 20.8

27.5 Employee stock options

No new stock option plan has been granted in 2007.

On 3 March 2006, a stock option plan was granted to employees under the following conditions:

Exercise price:	EUR 75.6 per share
Exercise period:	from 3 March 2007 until 3 March 2012
Total number of options:	350 000

In accordance with IFRS 2 share-based payments, the total theoretical and non-cash cost of EUR 9.1 million has been estimated and is amortized in the income statement under the Employee benefit caption over the one year vesting period. 2007 amortization amounts to EUR 1.5 million (EUR 7.6 million in 2006). This fair value was determined using the Black-Scholes valuation model. The significant input into the valuation model were share price of EUR 72.15 at grant date, exercise price as stated above, risk-free interest rate EURIBOR.

On 2 May 2005, a stock option plan was granted to employees under the following conditions:

Exercise price:	EUR 35.0 per share
Exercise period:	from 2 May 2006 until 30 April 2010
Total number of options:	150 000

During the year ended 31 December 2007, 17 500 options of the 2005 plan were exercised (2006: 99 500). All options from the 2005 plan have now been exercised

Movements in the number of share options:

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	2007		2006	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
Outstanding at the beginning of the year	73.67	367,500	35.00	117,000
Granted	-	-	75.60	350,000
Exercised	73.27	-304,500	35.00	-99,500
Outstanding at the end of the year	75.60	63,000	73.67	367,500

27.6 Dividends per share

The dividends paid in 2007 and 2006 were EUR 8.6 million (EUR 1.00 per share) and EUR 6.0 million (EUR 0.80 per share) respectively.

The Board of Directors has decided to propose at the Annual General Meeting of Orco Property Group S.A. the payment of EUR 1.40 per share in respect of 2007 financial year. As this is an event after the balance sheet date, these financial statements do not reflect this dividend proposal that will be accounted for in 2007 as an appropriation of retained earnings.

27.7 PACEO

On 12 April 2006, Orco Property Group S.A. and Société Générale in Paris ("SG") have arranged a new Step-up Equity Subscription. It allows Orco Property Group S.A. to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 31 December 2006, the Company has issued 450,000 new shares for a total amount of EUR 43.8 million.

In 2007, no shares have been issued under the existing PACEO program. As at 31 December 2007, the program is still open for the issue of 550,000 new shares until 12 April 2008.

28. Contingencies

The Group has given guarantees in the ordinary course of business (see note 20).

29. Capital and other commitments

Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at December 2007, the remaining balance to be called amounts to:

EUR 14.5 million out of EUR 21.9 million subscribed for the residential sub-fund (EUR 14.7 million in 2006);

EUR 10.0 million out of EUR 47.0 million subscribed for the hospitality sub-fund (the sub-fund did not exist in 2006).

- 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 December 2007 amount to EUR 1.9 billion (EUR 499.4 million in 2006). This does not take into account the potential investments in future projects on land bank like Bubny in Prague, Wertheim in Berlin or hotels to be refurbished in Hvar.

Other commitments

In a decision taken on March 3rd, 2006, the Board of Directors granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 million. This indemnity would become payable by the company to the relevant management member only in case of change of control of the company and in case the relationship between the company and the management member is terminated by either party within a period of 6 months after the change of control.

30. Related party transactions

Transactions with key management personnel

The global consideration given as short term employee benefit to the members of the Executive Committee amounted to EUR 9.6 million as at 31 December 2007 (EUR 2.6 million in 2006).

The stock options granted to the employees are detailed in note 27.5. Among the 350.000 stock options granted in 2006, 339.000 have been granted to members of the Executive Committee. In addition the Group sold, in the first quarter of 2006, 980 000 shares (after adjustment for share split by 8) of Orco Germany S.A., a subsidiary of the Company, to members of the Executive Committee for a global price of EUR 1.2 million. This transaction resulted in the recognition of a gain amounting to EUR 0.4 million in the Group consolidated accounts.

The Company granted advances to key management personnel for an amount of EUR 0.9 million.

The Company did not grant any other advance to members of the Executive Committee and does not finance any pension plan in their favour.

In 2007, apartments built by the Group in the Czech Republic have been sold to four members of the executive committee for a total amount of EUR 2 million and an average discount of 6.8% compared to market conditions. During the first six months of 2006, three houses built by the Group in the Czech Republic have been sold to key management personnel for a global amount of EUR 2.4 million. Those transactions were carried out at arms' length.

Transactions with Directors

Board Members receive a EUR 1000 fee for each board they attend. The total amount of attendance fees allocated amounted to EUR 28,000 (EUR 27,000 in 2006). The Company did not grant any advance to Board Members and does not finance any pension plan in their favour.

For technical reasons the Group has held for a short period in 2006 a company whose activities have no link to the Group activities. This holding company was subsequently sold to a Board Member at arms' length.

Additionally, Orco has an investment of EUR 2.0 million in NOVY Fund showing a fair value of EUR 2.9 million as at 31 December 2007 (fair value of EUR 2.3 million as at 31 December 2006). This Fund is managed by some key management members of OPG. NOVY Fund is an opportunistic and value-creating fund which provides exposure to the Central European equity and bond market.

Transactions with the Endurance Real Estate Fund

Orco is the sponsor and the fund manager 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". The Group is the shareholder of the management company of the Fund and has also invested in the three sub-fund's existing as at December 2007 (see note 12). The hospitality sub-fund is fully consolidated since December 2007. Orco holds 88% of the total subscriptions. As at December 2007, the Group's subscription to the office and residential sub-funds represents 16.29% and 10.89% of the total subscription respectively.

Orco's remuneration from the office and residential sub-funds amounting to EUR 7.6 million in 2007 (EUR 4.5 million in 2006) is linked to:

- the placement fee of a maximum of 2.5% of the committed funds of the investors
- the management fee of 2% per year calculated on the called subscriptions
- acquisition fee of 1% calculated on the value of the assets bought or sold by the fund.

The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

Transactions with other related parties

Beginning of July 2007, Orco has granted a loan of USD 15 million for a term of 6 months and an interest rate of 10% on a yearly basis. This loan has been granted to a company controlled by the management of Molcom. The purpose of this loan is to facilitate future acquisitions of plots of land in Russia.

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31. List of the fully consolidated subsidiaries

Company	Country	Currency	Activity	% shareholding 31.12.2007	% shareholding 31.12.2006
1. Sportovní, a.s.	Czech Republic	CZK	Development	100%	100%
Ambona Kredit s.r.o.	Czech Republic	CZK	Development	100%	/
Americká 1, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká 33, a.s.	Czech Republic	CZK	Leasing	100%	100%
AMERICKÁ – ORCO, a.s.	Czech Republic	CZK	Leasing Extended	100%	100%
Americká Park, a.s.	Czech Republic	CZK	stay	100%	100%
And 70 Kft.	Hungary	HUF	Leasing	100%	100%
Anglická 26, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Ariah Kft	Hungary	HUF	Leasing	100%	100%
Brno City Center a.s.	Czech Republic	CZK	Leasing	100%	/
Belgická – Na Kozačce, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Beta Development s.r.o.	Czech Republic	CZK	Development	100%	/
B.P. Servis, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
BRNO CENTRUM, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Bubenska 1 a.s. (previously Re Investment Trust a.s.)	Czech Republic	CZK	Leasing	100%	100%
Bubny Development s.r.o. (previously Orco Omikron, s.r.o.)	Czech Republic	CZK	Development	100%	100%
BYTY PODKOVA, a.s.	Czech Republic	CZK	Development	75%	75%
Capellen Invest S.A.	Luxembourg	EUR	Leasing	100%	/
Central European Real Estate Management S.A.	Luxembourg	EUR	Management	100%	100%
Certuv Ostrov, a.s.	Czech Republic	CZK	Development	100%	100%
City Gate s.r.o.	Slovakia	SKK	Development	100%	/
CWM 35 Kft.	Hungary	HUF	Leasing	100%	100%
Development Doupovska, s.r.o.(previously Orco Alfa s.r.o.)	Czech Republic	CZK	Development Extended	100%	100%
Diana Development Sp. z.o.o.	Poland	PLN	stay	100%	100%
Dienzenhoferovy sady 5,	Czech Republic	CZK	Hotel	/	100%

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s.r.o. (company sold in 2007)	Republic					
Endurance Hospitality Assets S.à r.l.	Luxembourg	EUR	Management	88%	/	
Endurance Hospitality Finance S.à r.l.	Luxembourg	EUR	Management	88%	/	
Endurance Hospitality sub-fund	Luxembourg	EUR	Management	88%	/	
Endurance Real Estate Management Company S.A.	Luxembourg	EUR	Management	100%	100%	
Etoile d'or S.A.	Luxembourg	EUR	Leasing	100%	100%	
Hagibor Office Building a.s. (previously Orco Reality a.s.)	Czech Republic	CZK	Development	100%	100%	
IPB Real Reality, a.s.	Czech Republic	CZK	Development	100%	100%	
IPB Real, a.s.	Czech Republic	CZK	Development	100%	100%	

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Company	Country	Currency	Activity	% shareholding	% shareholding
IPB Real, s.r.o.	Czech Republic	CZK	Development	100%	100%
Iskolaprojekt 68 Kft. (merged into Izabella 62-64 Kft. In 2007)	Hungary	HUF	Development	/	100%
Izabella 62-64 Kft.	Hungary	HUF	Development	100%	100%
Janáčkovo nábreží 15 s.r.o. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
Jeremiašova Invest s.r.o.	Czech Republic	CZK	Leasing	100%	/
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	CZK	Development	100%	100%
Karousa Enterprises Company Limited	Cyprus	USD	Development	70%	/
Londýnská 26, a.s.	Czech Republic	CZK	Leasing	100%	100%
Londýnská 39, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Londýnská 41, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
MÁCHOVA - ORCO,a.s.	Czech Republic	CZK	Leasing	100%	100%
MaMaison Bratislava s.r.o. (company sold in 2007)	Slovakia	SKK	Extended stay	/	100%
MaMaison Residences S.A. (liquidated in 2007)	Luxembourg	EUR	Extended stay	/	100%
MaMaison Slovakia s.r.o. (company sold in 2007)	Slovakia	SKK	Extended stay	/	100%
Mánesova 28, a.s.	Czech Republic	CZK	Leasing	100%	100%
Medec 35 Kft. (merged into CWM 35 Kft. In 2007)	Hungary	HUF	Leasing	/	100%
Meder 36 Projekt Kft.	Hungary	HUF	Leasing	100%	100%
MMR Management, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
MMR Russia S.à r.l. (company sold in 2007)	Luxembourg	EUR	Extended stay	/	100%
MOLCOM CJSC	Russia	RUB	Leasing	70%	/
MS-Invest o.o.o.	Russia	RUB	Development	70%	/
Nad Petruskou, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Na Poříčí a.s. (previously Orco Development a.s.)	Czech Republic	CZK	Leasing	100%	100%
NOVÉ MEDLÁNKY a.s.	Czech Republic	CZK	Development	100%	100%
Nupaky a.s.	Czech Republic	CZK	Development	100%	/
N W D C Company spol.	Czech	CZK	Development	51%	/

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s.r.o.	Republic				
	Czech				
Oak Mill,a.s.	Republic	CZK	Development	100%	100%
	Czech				
Onset, a.s.	Republic	CZK	Development	100%	100%
Orco Adriatic d.o.o.	Croatia	HRK	Development	100%	100%
Orco Budapest Zrt.	Hungary	HUF	Development	100%	100%
Orco Capitol S.A.	Luxembourg	EUR	Leasing	100%	100%
Orco Commercial Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Construction Sp. z.o.o.	Poland	PLN	Development	75%	100%
Orco Croatia S.A.	Luxembourg	EUR	Hotel	100%	100%
ORCO Development, s.r.o.	Slovakia	SKK	Development	100%	100%
Orco Development Kft.	Hungary	HUF	Development	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Development	75%	100%
ORCO Enterprise Sp.z.o.o.	Poland	PLN	Development	100%	100%
ORCO Estates, s.r.o.	Slovakia	SKK	Development	100%	100%
	Czech				
ORCO ESTATE, s.r.o.	Republic	CZK	Development	100%	100%
ORCO Estate Sp.z o.o.	Poland	PLN	Development	100%	/
	Czech				
Orco Financial Services s.r.o.	Republic	CZK	Fin. Services	100%	100%
Orco Hospitality Services Sp. z o.o. (company sold in 2007)	Poland	PLN	Hotel	/	100%

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Company	Country	Currency	Activity	% shareholding	% shareholding
Orco Hotel Collection S.A. (liquidated in 2007)	Luxembourg	EUR	Hotel	/	100%
Orco Hotel Development Sp.z o.o.	Poland	PLN	Hotel	100%	100%
Orco Hotel Group S.A. (liquidated in 2007)	Luxembourg	EUR	Hotel	/	100%
Orco Hotel Management Kft. (company sold in 2007)	Hungary	HUF	Hotel	/	100%
Orco Hotel Riverside s.r.o. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
Orco Hotel Project Sp. z o.o. (company sold in 2007)	Poland	PLN	Hotel	/	100%
Orco Hotel Ostrava a.s. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
Orco Hotel Zrt. (company sold in 2007)	Hungary	HUF	Hotel	/	100%
ORCO House s.r.o. (company sold in 2007)	Slovakia	SKK	Development	/	100%
Orco Hungary Kft.	Hungary	HUF	Development	100%	100%
Orco Idea Sp. z o.o.	Poland	PLN	Development	100%	/
	Czech				
ORCO INVESTMENT, a.s.	Republic	CZK	Development	100%	100%
Orco Investment Kft.	Hungary	HUF	Development	100%	100%
Orco Investment Sp. z o.o. (company sold in 2007)	Poland	PLN	Development	/	100%
Orco Logistic Sp. z o.o.	Poland	PLN	Development	100%	/
Orco-Molcom B.V. (previously Astolfin B.V.)	Netherlands	EUR	Management	70%	/
Orco Molcom o.o.o.	Russia	RUB	Development	70%	/
ORCO Pokrovka Management o.o.o. (company sold in 2007)	Russia	RUB	Management	/	100%
Orco Poland Sp. z.o.o.	Poland	PLN	Development	100%	100%
	Czech				
ORCO Praga s.r.o.	Republic	CZK	Development	75%	100%
	Czech				
ORCO Prague, a.s.	Republic	CZK	Leasing	100%	100%
ORCO Project Management, s.r.o.	Czech Republic	CZK	Development	100%	100%
Orco Project Szervező Zrt. (merged into Izabella 62-64 Kft. In 2007)	Hungary	HUF	Development	/	100%
Orco Project Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Project, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO Property Management, a.s.	Czech Republic	CZK	Leasing	100%	100%
Orco Property Sp. z.o.o.	Poland	PLN	Development	75%	100%
ORCO PROPERTY START, a.s. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%

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Orco Razvoj d.d.	Croatia	HRK	Development	100%	/
ORCO Residence, s.r.o.	Slovakia	SKK	Development	100%	100%
Orco Residential Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Slovakia, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO Strategy a.s. (company sold in 2007)	Czech Republic	CZK	Development	/	100%
Orco Strategy Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Vagyonkezelő Kft.	Hungary	HUF	Leasing	100%	100%
ORCO Vinohrady, a.s.	Czech Republic	CZK	Leasing	100%	100%
Orco Vision Sp. z o.o.	Poland	PLN	Development	100%	/
Orco Warsaw Sp. z o.o. (company sold in 2007)	Poland	PLN	Hotel	/	100%
Otrada Development o.o.o.	Russia	RUB	Development	42%	/
Ozrics Kft. (company sold in 2007)	Hungary	HUF	Leasing	/	100%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Pivovar Stein, a.s.	Slovakia	SKK	Development	100%	100%
Ponari Enterprises Company Limited	Cyprus	USD	Development	70%	/
Private Security Enterprise "MOLCOM" CJSC	Russia	RUB	Leasing	70%	/
První Kvintum Praha a.s.	Czech Republic	CZK	Development	100%	/
Residence Belgická, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
				%	%
Company	Country	Currency	Activity	shareholding	shareholding
Residence Izabella Zrt. (company sold in 2007)	Hungary	HUF	Extended stay	/	100%
RESIDENCE MASARYK, a.s.	Czech Republic	CZK	Extended stay	100%	100%
Révay 10 Kft.	Hungary	HUF	Leasing	100%	100%
Salinoko Ltd.	Cyprus	USD	Leasing	100%	100%
Seattle, s.r.o.	Czech Republic	CZK	Development	100%	100%
Stein, s.r.o.	Slovakia	SKK	Development	100%	100%
Stein Beverages a.s. (company sold in 2007)	Slovakia	SKK	held for sale	/	100%
SUNČANI HVAR d.d.	Croatia	HRK	Hotel	47.56%	47.07%
Svaty Václav s.r.o.	Czech Republic	CZK	Development	100%	/
TO Green Europe, a.s.	Czech Republic	CZK	Development	100%	50%
TQE Asset, a.s.	Czech Republic	CZK	Leasing	100%	100%
Tyršova 6 a.s. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
U hradeb a.s. (company merged into TQE Asset a.s. in 2007)	Czech Republic	CZK	Leasing	/	/

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VINOHRADY S.à r.l.	France Czech Republic	EUR CZK	Holding Development	100% 100%	100% 100%
Viterra Development Ceska, s.r.o.	Poland	PLN	Development	100%	100%
Viterra Development Polska Sp.z.o.o.	Hungary	HUF	Leasing	100%	100%
Yuli Kft	Czech Republic	CZK	Leasing	100%	100%
Záhřebská 35, s.r.o.					

Orco Germany S.A.

Luxembourg EUR

Leasing

56.79%

80.37%

Hereafter follows the list of Orco Germany S.A. with its direct and indirect subsidiaries, showing the percentage of shareholding

An den Gärten GmbH	Germany	EUR	Development	100%	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.8%	/
Cybernetyki Business Park Sp.z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	/
Endurance HC Alpha S.à r.l.	Luxembourg	EUR	Management	100%	/
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Management	100%	/
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Management	100%	/
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	/
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	/
Isalotta 1. GmbH	Germany	EUR	Leasing	100%	/
Isalotta 3. GmbH	Germany	EUR	Leasing	94.99%	/
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	/
Lora Grundbesitz GmbH	Germany	EUR	Leasing	100%	100%
Orco Berlin Invest GmbH	Germany	EUR	Leasing	100%	100%
Orco Germany Investment S.A.	Luxembourg	EUR	Management	100%	/
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100%	100%
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH	Germany	EUR	Development	100%	100%
Orco Projekt 103 GmbH	Germany	EUR	Development	75%	75%
Orco Vermietungs- und Services GmbH	Germany	EUR	Management	100%	/
PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH	Germany	EUR	Development	94.8%	/
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%
Stauffenbergstr. Drei GmbH	Germany	EUR	Development	100%	100%
Tucholskystr.39/41 GmbH & Co. Grundbesitz KG	Germany	EUR	Development	100%	/
Viterra Development GmbH	Germany	EUR	Development	100%	100%
Viterra Baupartner GmbH	Germany	EUR	Development	100%	100%
Viterra Erste PEG mbH	Germany	EUR	Development	100%	100%
Viterra Zweite PEG mbH	Germany	EUR	Development	100%	100%
Viterra Vierte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Fünfte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100%	100%

32. List of the joint-ventures

32.1 Kosic S.à r.l.

The Group has a 50% interest in Kosic S.à r.l, a Luxembourg based holding company which in turn holds 100% of the 3 operational companies. The following amounts represent the Group's 50% share (50% in 2006) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2007	December 2006
Non-current assets	-	-
Current assets	559	779
Assets	559	779
Non-current liabilities	154	154
Current liabilities	86	66
Liabilities	240	220
Income	6	512
Expenses	-50	-204
Profit after income tax	-44	308

32.2 Kosic Development s.r.o.

The Group has a 50% interest in a joint venture, Kosic Development s.r.o., corresponding to the project's phase I in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2006) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2007	December 2006
Non-current assets	617	358
Current assets	8 414	20 406
Assets	9 031	20 764
Non-current liabilities	-	-
Current liabilities	2 896	18 277
Liabilities	2 896	18 277
Income	25 524	2 642
Expenses	-20 501	-2 169
Profit after income tax	5 023	473

SV Faze II s.r.o.

The Group has a 50% interest in a joint venture, SV Faze II s.r.o., corresponding to the project's phase II in the Czech Republic. The following amounts represent the Group's 50% share of assets and

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liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2007	December 2006
Non-current assets	3 893	-
Current assets	52	3 183
Assets	3 945	3 183
Non-current liabilities	347	269
Current liabilities	-	1
Liabilities	347	270
Income	481	-
Expenses	-68	-3
Profit after income tax	413	-3

Slunecny Vrsek III s.r.o.

The Group has a 50% interest in a joint venture, Slunecny Vrsek III s.r.o, corresponding to the project's phase III in the Czech Republic. The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2007	December 2006
Non-current assets	43	402
Current assets	4 654	891
Assets	4 697	1 293
Non-current liabilities	218	0
Current liabilities	1 927	5
Liabilities	2 145	5
Income	17	-
Expenses	-52	-7
Profit after income tax	-35	-7

32.5 Luxembourg Plaza a.s. (before Orco Property a.s.)

The Group has 50% interest in a joint venture, Luxembourg Plaza a.s., which is active in the leasing sector and holds the office part of the Luxembourg Plaza project in the Czech Republic. During the year 2006, the Group has acquired the Trigranit's 50% participation which was immediately sold to Endurance Fund. The following amounts represent the Group's 50% share (50% in 2006) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

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	December 2007	December 2006
Non-current assets	37 540	34 154
Current assets	5 172	2 083
Assets	42 712	36 237
Non-current liabilities	29 791	5 128
Current liabilities	2 660	15 472
Liabilities	32 451	20 600
Income	3 752	9 338
Expenses	-1 344	-3 462
Profit after income tax	2 408	5 876

PEG Knorrstrasse 119 GmbH & Co. KG

The Group has a 50% interest in a joint venture, PEG Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	December 2007	December 2006
Non-current assets	-	-
Current assets	5 358	3 731
Assets	5 358	3 731
Non-current liabilities	-	0
Current liabilities	4 720	3 126
Liabilities	4 720	3 126
Income	38	6 250
Expenses	-22	-2 651
Profit after income tax	16	3 599

32.7 Hospitality

Endurance Hospitality Assets S.à r.l. and AIG entered into a joint venture agreement by which Hospitality Invest S.à r.l. will be controlled equally by both parties. AIG's initial investment in the joint venture amounts to EUR 50 million.

ORCO has sold its hotel portfolio in Central Europe, with the notable exception of the trophy asset Pachtuv Palace and excluding the Suncani Hvar's stake. The new joint venture is to focus on the hospitality business. Therefore it has been decided to transfer to that joint venture at least the following hotels and residences as well as all the assets and liabilities relating to their management and operations : Riverside, Imperial, Marriott Court Place in Luxembourg Plaza, Sulekova, Pokrovka, Le Regina, Izabella and Andrassy.

The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

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	December 2007
Non-current assets	66 466
Current assets	7 040
Assets	73 507
Non-current liabilities	42 137
Current liabilities	5 591
Liabilities	47 728
Income	32 290
Expenses	-34 585
Profit after income tax	-2 295

33. Events after balance sheet date

No significant events occurred after balance sheet date.

Chapter 8 Additional information

8.1. The Company

8.1.1. Corporate name and registered office

Corporate name: Orco Property Group S.A.

Registered office : Parc d'Activités Capellen, 40 L-8308 Capellen, Luxembourg

Tél. +352 26 47 67 47

Principal place of business : Orco Property Group S.A.

Registered office: 25, rue Balzac – F 75406 Paris Cedex 08

Tél. +33 1 40 67 67 00

8.1.2. Legal form and share capital

The Company is a public limited company (« *société anonyme* ») incorporated and existing under Luxembourg law, with corporate capital set at fifty-seven million six hundred twenty thousand eight hundred fifty euros and sixty cents (EUR 57,620,850.60) represented by fourteen million fifty-three thousand eight hundred sixty-six (14,053,866) shares without nominal value, as of 19 April 2010.

8.1.3 Date of incorporation and termination

The Company was incorporated by a notarial deed drawn on 9 September 1993 by Maître Frank Baden, for an indefinite period of time.

8.1.4 Jurisdiction and applicable laws

Applicable laws

The Company exists under the Luxembourg Law of 10 August 1915 on commercial companies, as amended (the “Luxembourg Law of 10 August 1915”).

As the Company’s shares are listed on the Budapest Stock Exchange, Euronext Paris, the Prague Stock Exchange, and the Warsaw Stock Exchange, the securities laws of the countries where the shares are listed could also be applicable.

Competent courts

In the event of a dispute, subject to any contractual provisions, the default court of competent jurisdiction shall be where the registered office of the Company is located, without prejudice to the Company’s right to bring an action before any other competent court under Luxembourg law.

8.1.5 Object of business

As described within article 4 of the Company’s updated bylaws, the Company’s corporate purposes are :

- investments in real estate projects, including :

- the purchase, sale, construction, development, management and rental of buildings, whether directly or through its subsidiaries;
- the purchase, sale, construction, development, management and running of hotels whether directly or through its subsidiaries;
- investments in commercial, industrial, and financial companies in Luxembourg and foreign jurisdictions (through subsidiaries and other ventures);
- acquisition of any (i) securities and rights by way of participation, contribution, subscription, underwriting or purchasing options, or other means, as well as (ii) patents and licences, and their management and development;
- granting to entities in which it holds a direct or indirect stake, all kinds of assistance, loans, advances or guarantees; and
- conduct any and all activities directly or indirectly relating to its corporate purpose.

It may thus play a financial or managerial role in enterprises or companies it holds or owns. The Company may also carry out any and all commercial, movable, immovable and financial operations likely to relate, directly or indirectly, to the activities described above as well as any means likely to promote their fulfilment.

8.1.6 Luxembourg Trade and Companies Register

RCS Luxembourg B 44 996

8.1.7 Financial year

The Company's financial year begins on the first day of January and ends on the thirty first day of December.

8.1.8 Distribution of profits and payment of dividends

Reserve of capital

Each year, the Company is required to allocate at least five percent of the net corporate profits, if any, to a reserve. This requirement shall be suspended when the aggregate reserve reaches ten percent of the corporate capital, but shall resume again whenever the aggregate reserve falls below ten percent. The general meeting of the shareholders of the Company shall decide on the allocation and distribution of the net corporate results.

Payment of dividends

The general meeting of the shareholders of the Company is entitled to decide on the distribution of dividends to the shareholders of the Company. Only those shares issued as at 31 December of the previous financial year shall be entitled to the payment of dividends.

Payment of interim dividends

The Board of Directors is entitled to pay interim dividends when the following legal and statutory conditions are satisfied:

- an accounting statement establishes that there are sufficient available funds for the distribution;

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- the amount to be distributed does not exceed the amount of those results realized since the end of the previous financial year which annual accounts have been approved, increased by the amount of profits carried forward and those deductions made from reserves available for this purpose and decreased by the amount of those sums to be allocated to reserves pursuant to a legal or statutory obligations;
- the Board of Directors' decision to distribute interim dividends is made within two months after the date of the accounting statement described above;
- the distribution may not be decided (i) less than six months after the closing date of the previous accounting year, and (ii) before the approval of the annual accounts related to the current accounting year;
- if a previous interim dividend has been distributed, the Board of Directors may only award a second interim dividend three months after the decision to distribute the first interim dividend; and
- the statutory and independent auditor(s) in its/(their) report to the Board of Directors confirm(s) that the above conditions have been satisfied.

If an interim distribution were to exceed the amount of dividends subsequently approved by the general meeting of shareholders, the interim dividends received shall be deemed an advance on future dividends.

Pursuant to Luxembourg law dated 25 August 2006 amending the Luxembourg Law of 10 August 1915, as amended the conditions for making interim dividends were revised to be less restrictive than those listed above. However, the Company's Articles of Association will continue to govern the Company's issuance of interim dividends until such time as the Articles of Association are revised to reflect the changes to the Luxembourg Law of 10 August 1915, as amended.

8.1.9 General meetings of shareholders

Ordinary general meetings of shareholders

Shareholders at the general meeting of shareholders shall have the broadest powers to adopt or ratify any action relating to the Company. Directors' appointments shall be made in accordance with the ordinary rules of deliberating assemblies. Every shareholder shall be entitled to vote personally or by proxy in conformity with the provisions of the Articles of Association. Every shareholder may take part in the deliberations, with a number of votes equal to the number of shares held, without limitation. While in session, the Board of Directors may adjourn and postpone a meeting by four weeks upon the request of a shareholder or shareholders, and it must do so upon the request of shareholders representing at least 20% of the share capital of the Company. If a meeting (including those called for the purpose of amending the Articles of Association) is adjourned, any action taken or resolutions passed prior to the adjournment shall be nullified and must be taken up at the subsequent general meeting. The subsequent meeting shall be entitled to pass final resolutions provided that, in cases of amendments to the Articles of Association, the conditions as to the requisite quorum as set forth in Article 23 of the Articles of Association are fulfilled.

The annual general meeting of shareholders will be held on the last Thursday of April at 2 p.m. CET time in Luxembourg at the registered office or at such other place as may be specified in the notice convening the meeting. If such day is a public holiday, the meeting will be held on the following business day. The Board of Directors is entitled to convene a general meeting of shareholders. They must convene such a meeting if shareholders representing one-tenth of the share capital require it by a written request indicating the agenda proposed for such meeting. Such meeting will be held within

one month of receiving the written request. The notices for each general meeting of shareholders shall contain the agenda and shall be published twice, each at an interval of eight days, with the second notice being published at least eight days prior to the meeting. Notices of such meeting shall be published in the *Mémorial* and in a Luxembourg newspaper. At the annual general meeting, shareholders shall debate on the directors' and statutory and/or independent auditors' reports as well as the annual accounts. The annual accounts are to be filed at the Luxembourg Trade and Companies Register within the month of their approval by the shareholders.

Extraordinary general meetings of shareholders/bondholders

The extraordinary general meeting of the shareholders may modify the Articles of Association in all their provisions.

Any change to the Company's nationality or increase in the commitments of its shareholders, however, can only be approved with the unanimous consent of all the shareholders and bondholders of the Company.

An extraordinary general meeting of shareholders requires a quorum of at least one half of the capital of the Company to be present in person or by proxy and an agenda which sets forth the proposed amendments to the Articles of Association, and where applicable, the text of those which concern the purposes or the form of the Company. If the quorum is not met, a second meeting may be convened, in the manner prescribed in the Articles of Association, by publishing twice, each at an interval of fifteen days, with the second notice being published at least fifteen days before the meeting. Notices of such meetings shall be published in the *Mémorial* and in two Luxembourg newspapers. Such convening notices shall reproduce the agenda and indicate the date and, at the second convening if any, the results of the previous meeting. At the second meeting, if any, no quorum is required.

Resolutions must at both meetings be approved by at least two-thirds of the votes of the shareholders present in person or by proxy in order to be adopted.

The Board of Directors may decide that in order to attend the extraordinary general meeting of shareholders, the owner of shares shall block their shares five business days before the date of the meeting.

Each shareholder is entitled to vote personally or by a proxy at any meeting of shareholders. Each share entitles its holder to one vote.

Any amendment concerning the purposes or the legal form of the Company must be approved at a general meeting of all bondholders of the Company. Such meeting shall not validly deliberate unless at least a quorum of one half of the securities outstanding are represented and the agenda indicates the proposed amendments. If the quorum is not met, a second meeting may be convened in accordance with the conditions noted above. At the second meeting, bondholders who are not present or represented shall be deemed present and voting for the proposals of the Board of Directors. The following requirements must be met subject to avoidance of any resolutions adopted in breach thereof:

- the notice of the second meeting must contain the agenda of the first meeting and indicate the date and the minutes of that meeting;
- the notice must specify the proposals of the Board of Directors on each of the items of such agenda, indicating the amendments proposed; and
- the notice must contain a notice to bondholders that failure to attend the meeting shall be deemed an approval of the proposals of the Board of Directors.

At both meetings, resolutions shall be validly adopted if they receive the approval of two-thirds of the votes of the bondholders present or deemed present or represented.

8.1.10. Exceeding a threshold

According to Article 26 of the articles of association of the Company, any shareholder who goes over or under the limit of 2.5%, 5%, 10%, 15%, 33%, 50% and 66% of the total voting rights is required to give the Company written notice of achieving the relevant threshold.

According to the Luxembourg law of 11 January 2008 relating to the transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, any shareholder who acquires or disposes of shares shall notify the Company of the proportion of voting rights of the issuer held by the shareholder as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 33 1/3%, 50% and 66 2/3% .

The Company is then required to forward this ownership information to the relevant controlling authorities. Any shareholder who fails to satisfy these reporting obligations shall not be entitled to vote with its shares at the next General Meeting.

8.2. Share capital

8.2.1 Share capital and Shares

The corporate capital is set at fifty-seven million six hundred twenty thousand eight hundred fifty euros and sixty cents (EUR 57,620,850.60) represented by fourteen million fifty-three thousand eight hundred sixty-six (14,053,866) shares without nominal value and with a par value of four euros and ten cents (EUR 4.10).

As of January 1, 2010, the number of shares outstanding was ten million nine hundred forty-three thousand eight hundred sixty-six (10,943,866). As of the date hereof, such number is fourteen million fifty-three thousand eight hundred sixty-six (14,053,866)

All the shares issued by the Company are fully paid. The shares will be either in the form of registered shares or in the form of bearer shares, as decided by the shareholder, except to the extent otherwise provided by law.

Currently there are no shares of the Company not representing the share capital of the Company.

As of the date of the Registration Document, the Company owns 9,761 treasury shares (0.07% of total shares).

Each share of the Company gives the right to one vote in general meetings of the Company and entitles each shareholder to dividends. No different classes of shares are issued. The shares are freely transferable. A modification of the rights of the holders requires a modification of the articles of the company by the generally assembly on an extraordinary general meeting which shall only deliberate unless at least one half of the capital is represented. If such quorum is not satisfied a second meeting may be convened which shall validly deliberate regardless of the proportion of capital represented. Generally, all resolutions must be carried by at least two-thirds of the votes cast. Further restrictions and requirements may be applicable in accordance with the applicable laws.

The shareholder can freely sell or transfer the shares, except that until the 2,020,000 shares recorded as nominee account (*compte nominatif pur*) in the register of the Company held by CACEIS Corporate Trust under code QS0007939265 are effectively listed and admitted to trading with Euronext Paris, the Prague Stock Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange following the approval and passporting of the prospectus required for the listing and admission to trading of such shares, its holder shall:

- request that the said shares be recorded, and remain recorded, as nominee account (*compte nominatif pur*) in the register of the Company held by CACEIS Corporate Trust; and
- not sell or otherwise transfer any of these shares, except to a person or entity that (i) requests that such shares be recorded, and remain recorded, as nominee account (*compte nominatif pur*) in the register of the Company held by CACEIS Corporate Trust, and (ii) procure that any transferee of any of these shares agrees with the Company to be bound by the present restriction.

The shares are indivisible and the Company only recognizes one holder per share. If there are several owners per share, the Company shall be entitled to suspend the exercise of all rights attached to such shares until the Company is notified of the appointment of a single person as owner of the shares. The same shall apply in the case of usufruct and bare ownership or security granted on the shares.

The joint owners of shares shall be represented within the Company by one of them, considered as sole owner or by a proxy, who in case of conflict may be legally designated by a court at the request of one of the owners.

8.2.2 Authorized share capital

The Extraordinary Shareholders' Meeting of 8 July 2008 renewed the authorization granted by the shareholders to the Board of Directors on 18 May 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorized capital. The Board of Directors was granted full power to proceed with the capital increases within the revised authorized capital of EUR 300,000,001.20 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors was granted full power to proceed with capital the capital increases in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issue price, terms and conditions of subscription and payment of the new shares. This authorization is valid for a five-year period ending on 8 July 2013.

As such, the Board of Directors still has a potential of EUR 242,379,150.60 at its disposal. Considering that all new shares shall be issued at the minimum at par value amounting to EUR 4.10, a maximum total of 59,166,866 new shares may still be created.

The following table summarizes the various issuances and stock splits of the share capital of the Company from 31 December 2006 to 30 September 2010. During that period no changes have occurred in voting rights attached to the shares:

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Date	Type of transaction	Number of shares composing the capital after increase	Change in numbers of shares	Share Premium (EUR thousands)	Amount of capital (EUR thousands)
Balance as of 31/12/2006		8,389,646	—	198	34,398
Board of Directors of 04/01/2007	10,000 stock options and 35,097 convertible bonds	8,434,743	45,097	1,302	34,582
Board of Directors of 08/02/2007	26,559 convertible bonds	8,461,302	26,559	752	34,691
Board of Directors of 23/02/2007	41,651 convertible bonds	8,502,953	41,651	1,179	34,862
Board of Directors of 12/03/2007	1,000 stock options	8,503,953	1,000	71	34,866
Board of Directors of 20/03/2007	153,720 convertible bonds	8,657,673	153,720	4,350	35,496

Board of Directors of 18/04/2007	3,000 stock options	8,660,673	3,000	215	35,509
Board of Directors of 27/04/2007	6,000 stock options	8,666,673	6,000	429	35,533
Board of Directors of 25/05/2007	Dividend 2006: 36,834 shares	8,703,507	36,834	3,971	35,684
Board of Directors of 13/06/2007	Offering and: 1,304,348 shares	10,007,855	1,304,348	144,652	41,032
Board of Directors of 17/06/2007	over-allotment option: 195,652	10,203,507	195,652	21,698	41,834

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Board of Directors of 18/06/2007	209,000 stock options	10,412,507	209,000	14,943	42,691
Board of Directors of 29/08/2007	62,000 stock options	10,474,507	62,000	4,433	42,945
Board of Directors of 4/09/2007	3,000 stock options	10,477,507	3,000	214	42,958
Board of Directors of 22/11/2007	Exchange Offer on the 2012 callable warrants (BSAR 2012)	10,836,794	359,287		44,431
Board of Directors of 30/5/2008	Issue of shares	10,943,866	107,072	4,763	44,870
Board of Directors of 6/4/2010	Issue of shares	12,033,866	1,090,000	1,646	49,339
Board of Directors of 8/4/2010	Issue of shares	13,453,866	1,420,000	1,278	55,161
Board of Directors of 14/4/2010	Issue of shares	14,053,866	600,000	540	57,621

8.2.3 Shares Subscription Rights

For description of instruments giving access to the Company's equity, please refer to Section 4.4 and Section 8.5. and for description of Employee stock options, please refer to Section 5.2.3.

8.3. Material contracts

See section 6.2. Related Party Transactions.

8.4. Dividend policy

The Company intends to pay annual dividends in the future, provided its financial condition permits such distributions and its shareholders approve such distributions at a general meeting. The Company expects these dividends to be funded by cash generated from its operations. The timing and amount of such dividends, if any, will depend upon the Company's future earnings and prospects, capital requirements and financial condition and such other factors as the Board of Directors consider relevant, as well as the

approval of shareholders. There can be no assurance that any dividends will be paid or that, if paid, they will correspond to the policy described above. The Company may revise its dividend policy from time to time.

On 26 April 2007, the shareholders at a general meeting approved the proposal by the Board of Directors to pay gross dividends of EUR 1.00 per share, with a total payment of EUR 8,646,673 for the fiscal year 2006. Such dividend was paid, in cash or in shares (based on a price of EUR 111.91) at the election of the shareholder, on 1 June 2007, and in conformity with Luxembourg Law of 10 August 1915. Shareholders holding 3,967,695 number of shares elected to receive dividends in cash, and shareholders holding 4,669,978 number of shares elected to receive dividends in new shares, leading to an issue of 36,834 new shares.

On 24 April 2008, the shareholders at a general meeting approved the proposal by the Board of Directors to pay a gross dividend of EUR 1.40 for the fiscal year 2007, payable at the shareholder's election in cash or shares, which issue price was EUR 48.58. In connection with the dividend for fiscal year 2007, the shareholders of the Company have decided to allocate EUR 15,171,511.60 to the distribution of dividends to the shareholders. 199,586 shares being held by the Company and thus giving no right to dividends, the amount allocated to the payment of dividends has been reduced to EUR 14,892,091.20.

On 8 July 2009, the shareholders approved the net results allocation and resolved not to pay any dividend for fiscal year 2008.

On 26 April 2010, the shareholders approved the net results allocation and resolved not to pay any dividend for fiscal year 2009.

The table below sets out the historical annual dividends paid by the Company (EUR thousands, except dividends paid per share in EUR):

Historical annual dividends	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009
Total dividends paid	8,646.67	15,171.51	0.00	0.00
Dividend paid per Share	1.00	1.40	0.00	0.00

Dividends paid by the Company may be subject to Luxembourg withholding tax.

8.5. Securities giving access to equity

Repayable subscription warrants

Within the authorized capital, the Board of Directors decided to issue Bonds with Warrants ("OBSAR") without preferential subscription rights:

- As of 22 April 2010, the outstanding number of 2012 Warrants was as follows :

Number of 2012 Warrants: 21,161

Exercise ratio: one warrant gives the right to 1.03 share payable either in cash or by remittance of 2010 Bonds as described in the draft Safeguard plan

Exercise price: EUR 7.21

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Exercise period: until 31 December 2019
ISIN: LU0234878881
Listing: Euronext – Paris

- As of 25 March 2010 the outstanding number of 2014 Warrants was as follows :

Number of 2014 Warrants: 2,871,021

Exercise ratio: one warrant gives the right to 1.73 share

Exercise price: EUR 11.20 payable either in cash or by remittance of 2014 Bonds as described in the draft Safeguard plan

Exercise period: until 31 December 2019

ISIN: XS0290764728

Listing: Euronext Brussels and Euronext Paris

Convertible bond 2006-2013

Within the authorized capital, the Board of Directors decided on May 15, 2006 to issue a convertible bond without preferential subscription rights:

Number of bonds: 1,086,956

Aggregated nominal amount: EUR 149,999,928

Nominal value: EUR 138.00

Redemption price (due if not converted by May 15th 2013) : 138.62% of par at EUR 191.29

Nominal interest rate: 1.0%

Listing: Euronext Paris

ISIN: FR0010333302

Redemption:

Due to the safeguard plan adopted by the Paris Commercial Court on May 19th, 2010, the Convertible bonds 2006-2013 will be reimbursed according to the following redemption schedule:

Date	30/04/2011	30/04/2012	30/04/2013	30/04/2014	30/04/2015
% of redemption	2%	5%	5%	5%	5%

Date	30/04/2016	30/04/2017	30/04/2018	30/04/2019	30/04/2020
% of redemption	5%	10%	14%	20%	29%

These percentages of redemption will be applied to the following basis:

- Until April 30th 2014

Outstanding principal at the date of the judgment adopting the safeguard plan,

Sum of accrued interest from the date of the judgment adopting the safeguard plan to the relevant payment date,

Sum of accrued and unpaid interest at the date of the judgment adopting the safeguard plan,

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Each April 30th, an additional payment will be made to holders of Bonds 2013 whom have not converted their bonds to reflect the increase of the basis on which the redemption percentage has to be applied, compared to previous years.

- From April 30th 2015 to April 30th 2020

Outstanding principal at the date of the judgment adopting the safeguard plan,
Sum of accrued and unpaid interest at the date of the judgment adopting the safeguard plan,
Sum of accrued interest from the date of the judgment adopting the safeguard plan to May 15th 2013, and interest to accrue until April 30th 2015 (calculated every year on the basis of the amortization of the outstanding principal pursuant to the yearly payments)
Redemption premium

Conversion ratio:

One Bond carries the right to receive a number of new shares in Orco Property Group (the “Conversion Ratio”).

The Conversion Ratio is determined according to the OPA pursuant to the below table.

From (included)	30/04/2010	30/04/2011	30/04/2012	30/04/2013	30/04/2014	30/04/2015	30/04/2016	30/04/2017	30/04/2018	30/04/2019	30/04/2020
OPA	138,00	136,6	133,54	127,6	127,65	127,6	127,6	127,6	101,4	61,21	-
Conve	€	2€	€	5€	€	5€	5€	5€	1€	€	-
rsion	1,00	0,99	0,97	0,92	0,92	0,92	0,92	0,92	0,73	0,44	-
Ratio											

Where

“OPA” means the outstanding principal amount of each Bond 2013 as of the date of the conversion.

Conversion can be requested from the issue date until 15 May 2013.

8.6. Legal and arbitration proceedings

The Company is not, nor has it been, involved in any governmental, legal or arbitration proceedings except the Safeguard Procedure and the below described arbitration procedure (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months before the date of this Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Group.

One of the Company's subsidiaries, Orco Russian Retail, S.A. is involved in a commercial dispute with a Russian entity regarding a shopping center located in Moscow, Russia. On 2 April, 2008 the Company and the Russian entity entered into a share purchase agreement under which the Company agreed to acquire the entire issued share capital of the corporate entity that holds the shopping center. The Company paid US \$25 million by way of an initial payment as part of the consideration. The remaining consideration was payable in two further stages (a second payment of US \$50 million and a third payment for the balance of the purchase price). On 31 December, 2009, the Company wrote to the Russian entity terminating the share purchase agreement on the grounds that the Russian entity had failed to satisfy certain conditions precedent. Following this, on 26 April, 2010, the Company

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filed a claim against the Russian entity with the Arbitration Institute of the Stockholm Chamber of Commerce. At present, the parties have mutually agreed to defer the arbitration proceedings and are confident that they will reach a mutually acceptable settlement of the outstanding issues.

8.7. Documents on display

Copies of the following documents may be inspected for the life of the registration document at the registered office of the Company (tel : +352 26 47 67 1), Parc d'Activités Capellen, 40, L-8308 Capellen, on any weekday (excluding public holidays) during normal business hours :

1. Articles of Association of the Company;
2. The interim financial statements of the Company as well as all reports, letters and other documents, historical financial information, valuations and statements prepared by any expert at the issuer's request any part of which is included or referred to in the registration document (e.g. valuation reports);
3. Audited consolidated financial statements of the Company as of and for the years ended 31 December 2009, 2008, 2007, 2006 and 2005, prepared in accordance with IFRS;

The registration document and most of the information mentioned are available on Orco website www.orcogroup.com.

The registration document is available on the website of Luxembourg Stock Exchange: www.bourse.lu.

APPENDIXES

SCHEDULE A: DTZ VALUATION REPORT FOR PART OF CENTRAL EUROPEAN INVESTMENT PORTFOLIO AS AT 30 JUNE 2010



Private & Confidential

Orco Property Group S.A.
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L-2535 Luxembourg

For the attention of The Directors

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Direct tel: +44 (0) 20 3296 4422

Direct fax: +44 (0) 20 3296 3200

Your ref:

Our ref: pw.iw.nh.0676.0810.rep

22 July 2010

Dear Sirs

Orco Central European Portfolio

1. Introduction

We understand from Orco Property Group S.A. (the "Company") that our Report and Valuation (the "Report") is required for accounts purposes and is intended to be an update to our previous reports and should therefore be read in conjunction with those reports.

For the avoidance of doubt, our valuations have been undertaken on a desktop only basis. We therefore confirm that we have not reinspected the Properties since our previous valuation report, prepared as at 31 December 2009. This is in accordance with the Company's instructions to us.

This Report has been prepared in respect of 8 selected assets, comprising the following:-

Asset	Asset Class	Tenure
CZECH REP.		
Jeremiasova	Office	Freehold
Na Porici	Office	Freehold
Radio Free Europe	Office	Freehold
HUNGARY		
Szervita parking	Parking	Freehold
Szervita office	Office	Freehold
POLAND		
Residence Diana (office)	Office	Freehold
RUSSIA		
Molcom	Storage Business	Freehold
Molcom	Industrial Development	Freehold

DTZ

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A list of directors' names is open to inspection at the above address
DTZ Debenham Tie Leung Limited Registered in England No 2757768
Registered office 125 Old Broad Street London EC2N 2BQ





2. Inspections

The Properties have been inspected previously in connection with an ongoing accounts valuation instruction with the Company. However, as agreed with the Company, we have not reinspected the Properties for the purposes of this update valuation. In this respect, we have relied solely on information from the Company. In addition, the Company has confirmed that there have been no material changes to the physical attributes of the investment assets contained in the portfolio or the nature of their location, since our last inspection.

3. Compliance with RICS Valuation Standards

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted standard of valuation.

4. Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

As one of the few leading firms of real estate advisors in Central Europe there are inevitable instances where DTZ act for the Company as advisor/agent on individual projects/assets. This is in the normal course of our business and does not, we believe, create any conflicts in providing the valuations reported herein.

Aside from this, we confirm that we have had no previous direct or indirect interest, financial or otherwise in the Properties or the Company or their subsidiaries or other affiliates, except in connection with valuations, and we therefore do not consider that any conflict arises in preparing the advice requested.

5. Purpose of the valuation

We understand that the valuations are required in connection with the Company's internal account.

Therefore, in accordance with UKPS 5.4 we have made certain disclosures in connection with this valuation instruction and our relationship with the Company/Fund. These are included in item 6 below.



6. Disclosures required under the provisions of UKPS 5.4

6.1 Name of signatory

Paul Wolfenden has been the signatory of Valuation Reports provided to the Company for all assets owned by the Company of the same purpose as the purpose of this Valuation Report on bi-annual basis for a continuous period since 2007. In addition, Paul Wolfenden is the signatory of valuations of all other assets for various purposes since 2002.

DTZ Debenham Tie Leung has been carrying out the valuation instruction for the Company for various purposes within the normal course of business.

6.2 DTZ's relationship with client

DTZ has an ongoing instruction from the Company, to act in a valuation capacity in respect of the Orco's property portfolio.

In addition, since DTZ is one of the few leading firms of real estate advisors operating in Central Europe we also provide valuation, building consultancy, development, leasing and professional advice on an ad hoc basis, to other funds/companies within the Orco Property Group.

6.3 Fee income from the Company

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2010, the proportion of total fees payable by the Company to the total fee income of the Group was materially less than 5%.

7. Report format

The appendices to this Valuation Report comprise details of the Properties and our valuations.

8. Basis of valuation

Our opinion of the Market Value of each of the Properties has been primarily derived using comparable recent market transactions on arm's length terms.

8.1 Market Value

The value of each of the Properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".



In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.

8.2 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

In line with local market practice, we have not made deductions to reflect purchasers' acquisition costs.

9. Currency

For the purpose of the valuation we have adopted the exchange rate as reported on valuation date by Oanda (www.oanda.com).

10. VAT

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing local rate.

11. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company or their advisors have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:-

11.1 Title

We have not had access to the title deeds of any of the Properties. As advised by the Company, we have made an Assumption that the Company is possessed of good and marketable freehold/leasehold title in each case and that the Properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also assumed that the Properties are free from mortgages, charges or other encumbrances.



11.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

Due regard has been paid to the apparent state of repair and condition of each of the Properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the Properties are structurally sound or free from any defects. We have made an Assumption that the Properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report and the appendices.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the Properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of Properties. We have not made an enquiry of the duty holder, of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the prevailing regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed (or to be constructed) thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.



Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the Properties.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

In the instances where Properties are in the course of development, our valuations are based on the Assumption that the completed buildings will also satisfy the various matters discussed above.

11.3 Environmental matters

Information advised by the Company and inspection have provided no evidence that there is a significant risk of contamination in respect of any of the Properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the Properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the Properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject Properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market would, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the Properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

Commensurate with our Assumptions set out above we have not made any allowance in the valuations for any effect in respect of actual or potential contamination of land or buildings.

Flooding

If any of the Properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the Properties, without payment of an excessive premium or excess.

11.4 Areas

We have been provided with floor areas by the Company and we have relied on these areas for the purpose of the valuation. We have made the Assumption that the relevant floor areas supplied to us have been calculated in accordance with market practice. We have therefore assumed that, were a full measurement survey to be carried out on all the accommodation, the results would be consistent with the information provided by the Company.

The Company has provided us with schedules of proposed floor areas in respect of the Properties under construction which we have relied on for the purpose of the valuation.



11.5 Statutory requirements and planning

As instructed, we have not made planning enquiries. We are relying on our previous investigations and have made an Assumption that the Properties have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of a current Fire Certificate and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further Assumption that the existing use of the Properties is duly authorised or established and that no adverse planning conditions or restrictions apply. We have assumed that for those Properties in the course of construction, that all planning conditions and permits will be satisfied.

11.6 Leasing

In accordance with instructions, we have not read the leases or any other associated documents and have therefore relied on the tenancy information provided by the Company, which we have assumed is both complete and accurate. The Company has provided us with tenancy details as at June 2010, and for the purpose of this instruction we have assumed that the information is an accurate reflection of the position as at the date of valuation. Should any of the details provided by the Company prove to be incorrect then our valuations should be reviewed accordingly.

We have not undertaken investigations into the financial strength of the tenants. We have made an Assumption that the tenants are financially in a position to meet their obligations. We have also made an Assumption that there are no material arrears of rent or service charges or breaches of covenants, current or anticipated tenant disputes.

However, our valuation reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

11.7 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

12. Properties in the course of development or requiring refurbishment

In undertaking the valuation of the Properties designated for development, where available we have relied upon the total anticipated construction cost estimates provided by the Company as at the valuation date. In some cases this has included all costs including finance costs and contingency, although in other cases we were provided with an explicit breakdown of costs



where we have applied a market finance rate and contingency where applicable. Where construction costs or related fees have not been made available we have applied our own estimates based on the proposed development. We have applied an appropriate profit margin based on the profit absorption of the Company and taking into account the stage in development process and remaining risk profile.

In respect of those buildings or parts of those buildings which are not pre-let or where agreements have not been entered into to sell the Property on completion, we have allowed for letting and associated costs, where these have not been included in the development costs provided by the Company.

In undertaking valuations of the Properties in the process of development, the company needs to deduct from the value all reservations and deposits received.

13. Valuation

We are of the opinion that the aggregate of the Market Values as at 30 June 2010 of the freehold interests in the selected investment Properties described in the appendices, subject to the Assumptions, Special Assumptions and comments in this Valuation Report and in the appendix is in the region of:-

€186,080,000
(One Hundred and Eighty Six Million and Eighty Thousand Euros)

A detailed breakdown of individual asset values is attached in Appendix A.



14. Confidentiality and disclosure

The contents of this Valuation Report and appendix are confidential to the Company for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation Standards referred to herein. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

A handwritten signature in red ink, appearing to read 'Paul Wolfenden'.

Paul Wolfenden
Chartered Surveyor
Director
For and on behalf of DTZ Debenham Tie Leung

ORCO PROPERTY GROUP
Société anonyme

ORCO CEE INVESTMENT PORTFOLIO - MARKET VALUES 30 JUNE 2010				
Asset # DTZ	Asset	Asset Class	Location	Market Value 30 June 2010
8	Jeremiasova	Office	Czech Rep.	€ 2,610,000
11	Na Porici/ Palac Archa	Office	Czech Rep.	€ 47,550,000
13	Radio Free Europe	Office	Czech Rep.	€ 57,000,000
Total Czech Rep.				€ 107,160,000
21	Szervita parking	Parking	Hungary	€ 4,900,000
22	Szervita office	Office	Hungary	€ 4,500,000
Total Hungary				€ 9,400,000
24	Residence Diana (office)	Office	Poland	€ 5,600,000
Total Poland				€ 5,600,000
26	Molcom	Storage Business	Russia	€ 54,390,000
27	Molcom	Industrial Development	Russia	€ 9,530,000
Total Russia				€ 63,920,000
Grand Total				€ 186,080,000

**SCHEDULE B: DTZ VALUATION REPORT FOR GERMANY AND LUXEMBOURG
INVESTMENT PORTFOLIO AS AT 30 JUNE 2010**



Private & Confidential

Orco Property Group S.A.
8, Boulevard Emmanuel Servais
L-2535 Luxembourg

For the attention of The Directors

Email: paul.wolfenden@dtz.com

Direct tel: +44 (0) 20 3296 4422

Direct fax: +44 (0) 20 3296 3200

Your ref:

Our ref: pw.iw.nh.0877.0810.rep

22 July 2010

Dear Sirs

Orco Germany & Luxembourg

1. Introduction

We understand from Orco Property Group S.A. (the "Company") that our Report and Valuation (the "Report") is required for accounts purposes and is intended to be an update to our previous reports and should therefore be read in conjunction with those reports.

For the avoidance of doubt, our valuations have been undertaken on a desktop only basis. We therefore confirm that we have not reinspected the Properties since our previous valuation report, prepared as at 31 December 2009. This is in accordance with the Company's instructions to us.

This Report has been prepared in respect of 50 assets, comprising the following:-

- 1 Investment asset in Luxembourg and;
- 49 Investment assets in Germany

A full list of the assets subject to valuation as at 30 June 2010 together with their respective tenure arrangements is included below.

Location/City Area	Address	Tenure
GSG		
Mitte	TIB Tor 1 GSG-HOF Gustav-Meyer-Allee	Freehold
Mitte	TIB Tor 2 GSG-HOF Voltastraße	Freehold
Mitte	Reuchlinstraße	Freehold
Charlottenburg-Wilmersdorf	Helmholtzstraße	Freehold
Steglitz-Zehlendorf	Wupperstraße 9	Leasehold
Tempelhof-Schöneberg	Geneststraße 5	Freehold
Pankow	Pankow (Pankstrasse)	Freehold
Lichtenberg	Plauener Straße	Freehold
Marzahn-Hellersdorf	Wolfener Straße 32-34	Freehold

DTZ

48 Warwick Street
London W1B 5NL, England
Tel: +44 (0)20 3296 3000
Fax: +44 (0)20 3296 3200
www.dtz.com/uk

A list of directors' names is open to inspection at the above address.
DTZ Debenham Tie Leung Limited (Registered in England No 2757788)
Registered office: 125 Old Broad Street London EC2N 2BQ



ORCO PROPERTY GROUP
Société anonyme



Orco Germany & Luxembourg
Date of valuation 30 June 2010
Date of report 22 July 2010

Location/City Area	Address	Tenure
Marzahn-Hellersdorf	Wolfener Straße 36	Freehold
Mitte	Wattstraße 10-13	Freehold
Mitte	Schwedenstraße	Freehold
Friedrichshain-Kreuzberg	Zossener Straße	Freehold
Tempelhof-Schöneberg	Wilhelm-von-Siemens-Straße 23	Freehold
Reinickendorf	Lübarser Straße	Freehold
Friedrichshain-Kreuzberg	Reichenberger Straße	Freehold
Friedrichshain-Kreuzberg	Schlesische Straße	Freehold
Friedrichshain-Kreuzberg	Blücherstraße 22	Freehold
Friedrichshain-Kreuzberg	Lobeckstraße 36	Freehold
Reinickendorf	Saalmannstraße	Freehold
Marzahn-Hellersdorf	Hellersdorf, Döbelnerstr. (Nr. 9)	Freehold
Friedrichshain-Kreuzberg	Gneisenaustraße 66/67	Freehold
Charlottenburg-Wilmersdorf	Sophie-Charlotten-Straße	Freehold
Friedrichshain-Kreuzberg	Alexandrinestraße	Freehold
Friedrichshain-Kreuzberg	Adalbertstraße	Freehold
Friedrichshain-Kreuzberg	Waldemarstraße 33	Freehold
Friedrichshain-Kreuzberg	Oranienstraße 6	Freehold
Friedrichshain-Kreuzberg	Köpenicker Straße 154a, 155, 156, 157, 158	Freehold
Friedrichshain-Kreuzberg	Prinzessinnenstraße	Freehold
Friedrichshain-Kreuzberg	Köpenicker Straße 154	Freehold
Friedrichshain-Kreuzberg	Bergfriedstrasse 2,4,6/Ritterstrasse 114, 115	Freehold
Tempelhof-Schöneberg	Feurigstraße 54	Freehold
Friedrichshain-Kreuzberg	Köpenicker Straße 145	Freehold
Neukölln	Glasower Straße 60 /Juliusstraße 10	Freehold
Friedrichshain-Kreuzberg	Waldemarstraße 37	Freehold
Friedrichshain-Kreuzberg	Urbanstraße 71	Freehold
Friedrichshain-Kreuzberg	Oranienstraße 24	Freehold
Friedrichshain-Kreuzberg	Oranienstraße 10-11	Freehold
Friedrichshain-Kreuzberg	Oranienstraße 188	Freehold
Mitte	Kurfürstenstraße 13/14	Freehold
Mitte	Ackerstraße 93	Freehold
Friedrichshain-Kreuzberg	Naunynstraße 68	Freehold
Charlottenburg-Wilmersdorf	Franklinstraße 27 (GSG Headquarter)	Freehold
Friedrichshain-Kreuzberg	Skalitser Straße 127-128	Freehold
Friedrichshain-Kreuzberg	Skalitser Straße 97	Freehold
OTHER GERMAN ASSETS		
Berlin - Charlottenburg/Wilmersdorf	Kudamm 102	Freehold
Berlin - Mitte	Brunnenstr. 156	Freehold
Berlin - Mitte	Invalidenstr. 112/Chausseestr. 21 (Apple Tree)	Freehold
Charlottenburg-Wilmersdorf	Franklinstraße 9-15a (Gebauerhöfe)	Freehold
LUXEMBOURG		
Luxembourg - Capellen	Parc D'Activites, Rue Pafebruech 38-40	Freehold



2. Inspections

The Properties have been inspected previously in connection with an ongoing accounts valuation instruction with the Company. However, as agreed with the Company, we have not reinspected the Properties for the purposes of this update valuation. In this respect, we have relied solely on information from the Company. In addition, the Company has confirmed that there have been no material changes to the physical attributes of the investment assets contained in the portfolio or the nature of their location, since our last inspection.

3. Compliance with RICS Valuation Standards

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 8th Edition (the "Red Book"). This is an internationally accepted standard of valuation.

4. Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

As one of the few leading firms of real estate advisors in Germany there are inevitable instances where DTZ act for the Company as advisor/agent on individual projects/assets. This is in the normal course of our business and does not, we believe, create any conflicts in providing the valuations reported herein.

Aside from this, we confirm that we have had no previous direct or indirect interest, financial or otherwise in the Properties or the Company or their subsidiaries or other affiliates, except in connection with valuations, and we therefore do not consider that any conflict arises in preparing the advice requested.

5. Purpose of the valuation

We understand that the valuations are required in connection with the Company's internal accounts.

Therefore, in accordance with UKPS 5.4 we have made certain disclosures in connection with this valuation instruction and our relationship with the Company/Fund. These are included in item 6 below.



6. Disclosures required under the provisions of UKPS 5.4

6.1 Name of signatory

Paul Wolfenden has been the signatory of Valuation Reports provided to the Company for all assets owned by the Company of the same purpose as the purpose of this Valuation Report on bi-annual basis for a continuous period since 2007. In addition, Paul Wolfenden is the signatory of valuations of all other assets for various purposes since 2002.

DTZ Debenham Tie Leung has been carrying out the valuation instruction for the Company for various purposes within the normal course of business.

6.2 DTZ's relationship with client

DTZ has an ongoing instruction from the Company, to act in a valuation capacity in respect of their property portfolio.

In addition, since DTZ is one of the few leading firms of real estate advisors operating in Germany we also provide valuation, building consultancy, development, leasing and professional advice on an ad hoc basis, to other funds/companies within the Orco Property Group.

6.3 Fee income from the Company

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2010, the proportion of total fees payable by the Company/Fund to the total fee income of the Group was less than 5%.

6.4 DTZ involvement in any of the properties in the previous 12 months

DTZ have not received any introductory or acquisition fees in respect of any of the properties during the 12 months prior to the date of valuation. DTZ have provided valuation advice in respect of the Properties for accounts purposes, and Bank valuation purposes over the last 12 months.

7. Report format

The appendices to this Valuation Report comprise details of the properties and our valuations.



8. Basis of valuation

Our opinion of the Market Value of each of the properties has been primarily derived using comparable recent market transactions on arm's length terms.

8.1 Market Value

The value of each of the properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.

8.2 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

We have made deductions to reflect purchasers' acquisition costs.

9. VAT

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

10. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company or their advisors have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:-



10.1 Title

We have not had access to the title deeds of any of the properties. As advised by the Company, we have made an Assumption that the Company is possessed of good and marketable freehold/leasehold title in each case and that the properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. We have also assumed that the properties are free from mortgages, charges or other encumbrances.

10.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

Due regard has been paid to the apparent state of repair and condition of each of the properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the properties are structurally sound or free from any defects. We have made an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report and the appendix.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties. We have not made an enquiry of the duty holder, of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the prevailing regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed (or to be constructed) thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.



No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the properties.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

In the instances where Properties are in the course of development, our valuations are based on the Assumption that the completed buildings will also satisfy the various matters discussed above.

10.3 Environmental matters

Information supplied by the Company and inspection have provided no evidence that there is a significant risk of contamination in respect of any of the properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market would, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

Commensurate with our Assumptions set out above we have not made any allowance in the valuations for any effect in respect of actual or potential contamination of land or buildings.

Flooding

If any of the properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the properties, without payment of an excessive premium or excess.



10.4 Areas

We have been provided with floor areas by the Company and we have relied on these areas for the purpose of the valuation. We have made the Assumption that the relevant floor areas supplied to us have been calculated in accordance with market practice. We have therefore assumed that, were a full measurement survey to be carried out on all the accommodation, the results would be consistent with the information provided by the Company.

The Company has provided us with schedules of proposed floor areas in respect of the Properties under construction which we have relied on for the purpose of the valuation.

10.5 Statutory requirements and planning

As instructed, we have not made planning enquiries. We are relying on our previous investigations and have made an Assumption that the Properties have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of a current Fire Certificate and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further Assumption that the existing use of the Properties is duly authorised or established and that no adverse planning conditions or restrictions apply. We have assumed that for those Properties in the course of construction, that all planning conditions and permits will be satisfied.

10.6 Leasing

In accordance with instructions, we have not read the leases or any other associated documents and have therefore relied on the tenancy information provided by the Company, which we have assumed is both complete and accurate. The Company has provided us with tenancy details as at June 2010, and for the purpose of this instruction we have assumed that the information is an accurate reflection of the position as at the date of valuation. Should any of the details provided by the Company prove to be incorrect then our valuations should be reviewed accordingly.

We have not undertaken investigations into the financial strength of the tenants. We have made an Assumption that the tenants are financially in a position to meet their obligations. We have also made an Assumption that there are no material arrears of rent or service charges or breaches of covenants, current or anticipated tenant disputes.

However, our valuation reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.



10.7 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

11. Valuation

We are of the opinion that the aggregate of the Market Values as at 30 June 2010 of the freehold or leasehold interests in the properties described in the appendix, subject to the Assumptions, Special Assumptions and comments in this Valuation Report and in the appendix is in the region of:-

€547,000,000
(Five Hundred and Forty Seven Million Euros)

A detailed breakdown of individual asset values is attached in Appendix A.



12. Confidentiality and disclosure

The contents of this Valuation Report and appendix are confidential to the Company for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation Standards referred to herein. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

A handwritten signature in red ink, appearing to read 'P. Wolfenden'.

Paul Wolfenden
Chartered Surveyor
Director
For and on behalf of DTZ Debenham Tie Leung

ORCO PROPERTY GROUP
Société anonyme

ORCO GERMANY INVESTMENT PORTFOLIO - MARKET VALUE SUMMARY 30 JUNE 2010

Asset# DTZ	Portfolio	ID	Location/City Area	Address	Tenure	Market Value 30 June 2010
1	Orco-GSG	2019	Mitte	TIB Tor 1 GSG-HOF Gustav-Meyer-Allee	Freehold	€ 35,920,000
2	Orco-GSG	2020	Mitte	TIB Tor 2 GSG-HOF Voltastraße	Freehold	€ 36,850,000
3	Orco-GSG	3026	Mitte	Reuchlinstraße	Freehold	€ 52,000,000
4	Orco-GSG	5005	Charlottenburg-Wilmersdorf	Helmholtzstraße	Freehold	€ 41,470,000
5	Orco-GSG	7017	Steglitz-Zehlendorf	Wupperstraße 9	Leasehold	€ 4,250,000
6	Orco-GSG	4009	Tempelhof-Schöneberg	Geneststraße 5	Freehold	€ 21,030,000
7	Orco-GSG	13030	Pankow	Pankow (Pankstrasse)	Freehold	€ 21,070,000
8	Orco-GSG	14034	Lichtenberg	Plauerer Straße	Freehold	€ 22,650,000
9	Orco-GSG	12032	Marzahn-Hellersdorf	Woffener Straße 32-34	Freehold	€ 21,800,000
10	Orco-GSG	12029	Marzahn-Hellersdorf	Woffener Straße 36	Freehold	€ 19,200,000
11	Orco-GSG	2336	Mitte	Wattstraße 10-13	Freehold	€ 13,670,000
12	Orco-GSG	2018	Mitte	Schwedenstraße	Freehold	€ 9,780,000
13	Orco-GSG	1010	Friedrichshain-Kreuzberg	Zossener Straße	Freehold	€ 13,760,000
14	Orco-GSG	9031	Tempelhof-Schöneberg	Wilhelm-von-Siemens-Straße 23	Freehold	€ 10,680,000
15	Orco-GSG	6013	Reinickendorf	Löbarser Straße	Freehold	€ 6,800,000
16	Orco-GSG	1024	Friedrichshain-Kreuzberg	Reichenberger Straße	Freehold	€ 9,830,000
17	Orco-GSG	1027	Friedrichshain-Kreuzberg	Schlesische Straße	Freehold	€ 13,740,000
18	Orco-GSG	1002	Friedrichshain-Kreuzberg	Bücherstraße 22	Freehold	€ 10,130,000
19	Orco-GSG	1022	Friedrichshain-Kreuzberg	Lobeckstraße 36	Freehold	€ 6,270,000
20	Orco-GSG	6008	Reinickendorf	Saalmannstraße	Freehold	€ 6,840,000
21	Orco-GSG	15036	Marzahn-Hellersdorf	Hellersdorf, Döbelnerstr. (Nr. 9)	Freehold	€ 9,380,000
22	Orco-GSG	1016	Friedrichshain-Kreuzberg	Gnellsenaustraße 66/67	Freehold	€ 5,830,000
23	Orco-GSG	5021	Charlottenburg-Wilmersdorf	Sophie-Charlotten-Straße	Freehold	€ 9,360,000
24	Orco-GSG	1304	Friedrichshain-Kreuzberg	Alexanderstraße	Freehold	€ 3,780,000
25	Orco-GSG	1333	Friedrichshain-Kreuzberg	Adalbertstraße	Freehold	€ 5,300,000
26	Orco-GSG	1386	Friedrichshain-Kreuzberg	Waldemarstraße 33	Freehold	€ 4,140,000
27	Orco-GSG	1372	Friedrichshain-Kreuzberg	Oranienstraße 6	Freehold	€ 4,800,000
28	Orco-GSG	1349	Friedrichshain-Kreuzberg	Köpenicker Straße 154a, 155, 156, 157, 158	Freehold	€ 4,880,000
29	Orco-GSG	1012	Friedrichshain-Kreuzberg	Prinzessinnenstraße	Freehold	€ 3,230,000
30	Orco-GSG	1405	Friedrichshain-Kreuzberg	Köpenicker Straße 154	Freehold	€ 5,160,000
32	Orco-GSG	1001	Friedrichshain-Kreuzberg	Bergfriedstrasse 2, 4, 6 / Ritterstrasse 114, 115	Freehold	€ 2,510,000
33	Orco-GSG	4006	Tempelhof-Schöneberg	Feurlingstraße 54	Freehold	€ 2,760,000
34	Orco-GSG	1368	Friedrichshain-Kreuzberg	Köpenicker Straße 145	Freehold	€ 2,750,000
35	Orco-GSG	8023	Neukölln	Glasower Straße 60 / Juliusstraße 10	Freehold	€ 2,730,000
36	Orco-GSG	1368	Friedrichshain-Kreuzberg	Waldemarstraße 37	Freehold	€ 2,410,000
37	Orco-GSG	1003	Friedrichshain-Kreuzberg	Urbanstraße 71	Freehold	€ 3,030,000
38	Orco-GSG	1366	Friedrichshain-Kreuzberg	Oranienstraße 24	Freehold	€ 2,370,000
39	Orco-GSG	1234	Friedrichshain-Kreuzberg	Oranienstraße 10-11	Freehold	€ 1,770,000
40	Orco-GSG	1211	Friedrichshain-Kreuzberg	Oranienstraße 188	Freehold	€ 1,220,000
41	Orco-GSG	3392	Mitte	Kurfürstenstraße 13/14	Freehold	€ 2,070,000
42	Orco-GSG	2120	Mitte	Ackerstraße 93	Freehold	€ 1,250,000
43	Orco-GSG	91379	Friedrichshain-Kreuzberg	Naunynstraße 68	Freehold	€ 1,300,000
44	Orco-GSG	5006	Charlottenburg-Wilmersdorf	Franklinstraße 27 (GSG Headquarter)	Freehold	€ 4,100,000
45	Orco-GSG	1135	Friedrichshain-Kreuzberg	Skaltzer Straße 127-128	Freehold	€ 950,000
46	Orco-GSG	1342	Friedrichshain-Kreuzberg	Skaltzer Straße 97	Freehold	€ 1,030,000
SUB-TOTAL						€ 465,850,000
60	Other	16013	Berlin - Charlottenburg/Wilmersdorf	Kudamm 102	Freehold	€ 6,210,000
70	Other	16029	Berlin - Mitte	Brunnenstr. 156	Freehold	€ 3,150,000
71	Other	16030	Berlin - Mitte	Invalidenstr. 112/Chausseestr. 21 (Apple Tree)	Freehold	€ 5,190,000
72	Other	16028	Charlottenburg-Wilmersdorf	Franklinstraße 9-15a (GebäudeHöfe)	Freehold	€ 38,150,000
SUB-TOTAL						€ 52,700,000
73	Lux	122007	Luxembourg - Capellen	Parc D'Activites, Rue Pafebruech 38-40	Freehold	€ 28,450,000
SUB-TOTAL						€ 28,450,000
GRAND TOTAL						€ 547,000,000

**SCHEDULE C: DTZ VALUATION REPORT OF CENTRAL EUROPEAN INVESTMENT
PORTFOLIO AS AT 31 DECEMBER 2009**



Orco Property Group S.A.
8, Boulevard Emmanuel Servais
L-2535 Luxembourg

Email: paul.wolfenden@dtz.com
Direct tel: +44 (0) 20 3296 4422
Direct fax: +44 (0) 20 3296 3200

For the attention of the Directors,

Your ref:
Our ref: pw.rc.nh.0197.0310.rep

26 March 2010

Dear Sirs

VALUATION OF CENTRAL EUROPEAN PORTFOLIO

1. Introduction

We understand from Orco Property Group SA (the "Company") that our Report and Valuation (the "Report") is required for accounts purposes and is intended to be an update to our previous reports and should therefore be read in conjunction with our reports, dated 1 May 2000, 31 March 2001, 21 March 2002, 31 March 2003, 29 March 2004 and 15 February 2005, 17 January 2006, 29 March 2007, 26 March 2008, 28 August 2008, 18 March 2009 and 14 August 2009.

In accordance with instructions from the Company we have prepared our opinion of Market Value of the freehold/leasehold interests in each of the properties listed in Appendix B (the "Properties") as at 31 December 2009.

2. Inspections

The Properties were inspected by members of DTZ's local valuation teams within the last 12 months. Where appropriate, the Company has confirmed that there have been no material changes to the physical attributes of the Properties and the locations in which they are situated since the last inspection. It is stated that other than any changes as advised by the client, the valuations are based on an Assumption there have been no such material changes.

3. Compliance with RICS Valuation Standards

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book").

DTZ

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A list of directors' names is open to inspection at the above address.
DTZ Debenham Tie Leung Limited Registered in England No 2757766
Registered office 125 Old Broad Street London EC2N 2BQ





4. Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

As one of the few leading firms of real estate advisors in Central Europe there are inevitable instances where DTZ act for the Company as advisor/agent on individual projects/assets. This is in the normal course of our business and does not, we believe, create any conflicts in providing the valuations reported herein.

Aside from this, we confirm that we have had no previous direct or indirect interest, financial or otherwise in the Properties or the Company or their subsidiaries or other affiliates, except in connection with valuations, and we therefore do not consider that any conflict arises in preparing the advice requested.

5. Purpose of the valuation

We understand that the valuations are required in connection with the Company's internal account.

6. Disclosures required under the provisions of UKPS 5.4

6.1 Name of signatory

Paul Wolfenden has been the signatory of Valuation Reports provided to the Company for all assets owned by the Company of the same purpose as the purpose of this Valuation Report on bi-annual basis for a continuous period since 2007. In addition, Paul Wolfenden is the signatory of valuations of all other assets for various purposes since 2000.

DTZ Debenham Tie Leung has been carrying out the valuation instruction for the Company for various purposes within the normal course of business.

6.2 DTZ's relationship with client

DTZ has an ongoing instruction from the Company, to act in a valuation capacity in respect of the Orco's property portfolio.

In addition, since DTZ is one of the few leading firms of real estate advisors operating in Central Europe we also provide valuation, building consultancy, development, leasing and professional advice on an ad hoc basis, to other funds/companies within the Orco Property Group.



6.3 Fee income from the Company

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2009, the proportion of total fees payable by the Company to the total fee income of the Group was materially less than 5%.

7. Report format

The appendices to this Valuation Report comprise details of the Properties and our valuations.

8. Basis of valuation

Our opinion of the Market Value of each of the Properties has been primarily derived using comparable recent market transactions on arm's length terms.

8.1 Market Value

The value of each of the Properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.

8.2 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

In line with local market practice, we have not made deductions to reflect purchasers' acquisition costs.

9. Currency

For the purpose of the valuation we have adopted the exchange rate as reported on the date of valuation by xe.com. This has been agreed with the Company.



10. VAT

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing local rate.

11. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company or their advisors have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:-

11.1 Title

We have not had access to the title deeds of any of the Properties. As advised by the Company, we have made an Assumption that the Company is possessed of good and marketable freehold/leasehold title in each case and that the Properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also assumed that the Properties are free from mortgages, charges or other encumbrances.

11.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

Due regard has been paid to the apparent state of repair and condition of each of the Properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the Properties are structurally sound or free from any defects. We have made an Assumption that the Properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report and the appendices.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the Properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of Properties. We have not made an enquiry of the duty holder, of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty



holder and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the prevailing regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed (or to be constructed) thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the Properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the Properties.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

11.3 Environmental matters

Information advised by the Company and inspection have provided no evidence that there is a significant risk of contamination in respect of any of the Properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the Properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the Properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject Properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market would, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the Properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.



Commensurate with our Assumptions set out above we have not made any allowance in the valuations for any effect in respect of actual or potential contamination of land or buildings.

Flooding

If any of the Properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the Properties, without payment of an excessive premium or excess.

11.4 Areas

We have been provided with floor areas by the Company and we have relied on these areas for the purpose of the valuation. We have made the Assumption that the relevant floor areas supplied to us have been calculated in accordance with market practice. We have therefore assumed that, were a full measurement survey to be carried out on all the accommodation, the results would be consistent with the information provided by the Company.

The Company has provided us with schedules of proposed floor areas in respect of the Properties under construction which we have relied on for the purpose of the valuation.

11.5 Statutory requirements and planning

As instructed, we have not made detailed planning enquiries. We have made an Assumption that the Properties have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of a current Fire Certificate and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further Assumption that the existing use of the Properties is duly authorised or established and that no adverse planning conditions or restrictions apply. We have assumed that for those Properties in the course of construction, that all planning conditions and permits will be satisfied.

11.6 Leasing

In accordance with instructions, we have not read the leases or any other associated documents and have therefore relied on the tenancy information provided by the Company, which we have assumed is both complete and accurate. The Company has provided us with tenancy details as at November 2009, and for the purpose of this instruction we have assumed that the information is an accurate reflection of the position as at the date of valuation. Should any of the details provided by the Company prove to be incorrect then our valuations should be reviewed accordingly.

We have not undertaken investigations into the financial strength of the tenants. We have made an Assumption that the tenants are financially in a position to meet their obligations. We have also made an Assumption that there are no material arrears of rent or service charges or breaches of covenants, current or anticipated tenant disputes.



However, our valuation reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

11.7 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

12. Properties in the course of development or requiring refurbishment

In undertaking the valuation of the Properties designated for development, where available we have relied upon the total anticipated construction cost estimates provided by the Company as at the valuation date. In some cases this has included all costs including finance costs and contingency, although in other cases we were provided with an explicit breakdown of costs where we have applied a market finance rate and contingency where applicable. Where construction costs or related fees have not been made available we have applied our own estimates based on the proposed development. We have applied an appropriate profit margin based on the profit absorption of the Company and taking into account the stage in development process and remaining risk profile.

In respect of those buildings or parts of those buildings which are not pre-let or where agreements have not been entered into to sell the Property on completion, we have allowed for letting and associated costs, where these have not been included in the development costs provided by the Company.

In undertaking valuations of the Properties in the process of development, the company needs to deduct from the value all reservations and deposits received.



13. Valuation

We are of the opinion that the aggregate of the Market Values as at 31 December 2009 of the freehold and leasehold interests in the Properties described in the appendices, subject to the Assumptions, and comments in this Valuation Report and in the appendices was as follows:-

€ 306,190,000

(Three Hundred and Six Million, One Hundred and Ninety Thousand Euros)

A breakdown of the individual values is provided in Appendix B

The Assumption referred to above are standard assumptions as contained in all valuation reports.

14. Confidentiality and disclosure

The contents of this Valuation Report and appendices are confidential to the Company for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained.

Yours faithfully

A handwritten signature in red ink, appearing to be 'P. Wolfenden'.

Paul Wolfenden
Chartered Surveyor
Director
For and on behalf of DTZ Debenham Tie Leung

ORCO PROPERTY GROUP
Société anonyme

ORCO CEE INVESTMENT PORTFOLIO - MARKET VALUES 31 DECEMBER 2009				
DTZ Asset Number	Asset	Asset Class	Location	Q4 2009 Market Value (€)
1	Americka 1 b3 (park residential)	Residential	Czech Rep.	€ 780,000
2	Americka 13	Residential	Czech Rep.	€ 300,000
3	Americka Park	Residential	Czech Rep.	€ 2,380,000
4	Belgicka 36	Residential	Czech Rep.	€ 110,000
5	Bubenska	Office	Czech Rep.	€ 26,800,000
6	Hlubocky Olomouc	Logistics/Industrial	Czech Rep.	€ 18,500,000
7	Hradcanska	Office	Czech Rep.	€ 12,450,000
8	Jeremiasova	Office	Czech Rep.	€ 2,580,000
9	Letenska	Residential	Czech Rep.	€ 440,000
10	Na Kozacoe	Residential	Czech Rep.	€ 840,000
11	Na Porici/ Palac Archa	Office	Czech Rep.	€ 47,600,000
12	Nad Petruskou	Residential	Czech Rep.	€ 440,000
13	Radio Free Europe	Office	Czech Rep.	€ 50,000,000
14	Stribro Industrial Park	Industrial	Czech Rep.	€ 4,410,000
15	Zahrebska	Residential	Czech Rep.	€ 280,000
16	Pachtuv Palace	Hotel	Czech Rep.	€ 14,680,000
	Subtotal		Czech Rep.	€ 182,580,000
17	Dunaj I, II	Retail	Slovakia	€ 15,860,000
	Subtotal		Slovakia	€ 15,860,000
18	Budapest Bank HQ	Office	Hungary	€ 13,220,000
19	Paris Department Store	Retail/Office	Hungary	€ 15,000,000
20	Small Budapest Bank	Office	Hungary	€ 650,000
21	Szervita Office	Office	Hungary	€ 4,920,000
22	Szervita parking	Parking	Hungary	€ 5,140,000
	Subtotal		Hungary	€ 38,930,000
23	Marki Phase 1	Logistics/Industrial	Poland	€ 6,670,000
24	Residence Diana - office	Office	Poland	€ 5,500,000
25	Peugeot	Showroom	Poland	€ 3,700,000
	Subtotal		Poland	€ 15,870,000
26	Molcom	Storage Business	Russia	€ 45,390,000
27	Molcom	Industrial Development	Russia	€ 7,560,000
	Subtotal		Russia	€ 52,950,000
	TOTAL			€ 306,190,000

ORCO PROPERTY GROUP

Société anonyme

SCHEDULE D: DTZ VALUATION REPORT OF CENTRAL EUROPEAN
DEVELOPMENT PORTFOLIO AS AT 31 DECEMBER
2009



Private & Confidential

Orco Property Group S.A.
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L-2535 Luxembourg

For the attention of the Directors

Email: paul.wolfenden@dtz.com
Direct tel: +44 (0) 20 3296 4422
Direct fax: +44 (0) 20 3296 4431

Your ref:
Our ref: pw.rc.nh.0196.0310.rep

26 March 2010

Dear Sirs

Valuation of Central European Portfolio

1. Introduction

We understand from Orco Property Group SA (the "Company") that our Report and Valuation (the "Report") is required for accounts purposes and is intended to be an update to our previous reports and should therefore be read in conjunction with our reports, dated 1 May 2000, 31 March 2001, 21 March 2002, 31 March 2003, 29 March 2004 and 15 February 2005, 17 January 2006, 29 March 2006, December 2007, June 2008, December 2008 and June 2009.

In accordance with instructions from the Company we have prepared our opinion of Market Value of the freehold/leasehold interests in each of the properties listed in Appendix B (the "Properties") as at 31 December 2009.

2. Inspections

The Properties were inspected by members of DTZ's local valuation teams within the last 12 months. Where appropriate, the Company has confirmed that there have been no material changes to the physical attributes of the Properties and the locations in which they are situated since the last inspection. It is stated that other than any changes as advised by the client, the valuations are based on an Assumption there have been no such material changes.

3. Compliance with RICS Valuation Standards

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book").

DTZ

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A list of directors' names is open to inspection at the above address
DTZ Debenham Tie Leung Limited Registered in England No 2757766
Registered office 125 Old Broad Street London EC2N 2BQ





4. Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

As one of the few leading firms of real estate advisors in Central Europe there are inevitable instances where DTZ act for the Company as advisor/agent on individual projects/assets. This is in the normal course of our business and does not, we believe, create any conflicts in providing the valuations reported herein.

Aside from this, we confirm that we have had no previous direct or indirect interest, financial or otherwise in the Properties or the Company or their subsidiaries or other affiliates, except in connection with valuations, and we therefore do not consider that any conflict arises in preparing the advice requested.

5. Purpose of the valuation

We understand that the valuations are required in connection with the Company's internal account.

6. Disclosures required under the provisions of UKPS 5.4

6.1 Name of signatory

Paul Wolfenden has been the signatory of Valuation Reports provided to the Company for all assets owned by the Company of the same purpose as the purpose of this Valuation Report on bi-annual basis for a continuous period since 2007. In addition, Paul Wolfenden was the signatory of the valuation reports for the Orco-GSG portfolio for acquisition purposes in 2006 and the signatory of valuations of all other assets for various purposes since 2002.

DTZ Debenham Tie Leung has been carrying out the valuation instruction for the Company for various purposes within the normal course of business.

6.2 DTZ's relationship with client

DTZ has an ongoing instruction for the Company, to act in an advisory capacity, which includes leasing and professional instructions in respect of the subject property portfolio. We confirm that the Director responsible for the valuation has formed an independent view of the property valuations on behalf of the Company.

In addition, we provide valuation, building consultancy, development, leasing and professional advice on an ad hoc basis, to other funds/companies within the Orco Property Group.



6.3 Fee income from the Company

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2009, the proportion of total fees payable by the Company/Fund to the total fee income of the Group was less than 5%.

7. Report format

The appendices to this Valuation Report comprise details of the properties and our valuations.

8. Basis of valuation

Our opinion of the Market Value of each of the properties has been primarily derived using comparable recent market transactions on arm's length terms

8.1 Market Value

The value of each of the properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.

8.2 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

In line with local market practice, we have not made deductions to reflect purchasers' acquisition costs.

9. Currency

For the purpose of the valuation we have adopted the exchange rate as reported on valuation date by xe.com. This has been agreed with the Company.



10. VAT

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing local rate.

11. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company or their advisors have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:-

11.1 Title

We have not had access to the title deeds of any of the properties. As advised by the Company, we have made an Assumption that the Company is possessed of good and marketable freehold/leasehold title in each case and that the properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also assumed that the properties are free from mortgages, charges or other encumbrances.

11.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

Due regard has been paid to the apparent state of repair and condition of each of the properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the properties are structurally sound or free from any defects. We have made an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report and the appendices.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties. We have not made an enquiry of the duty holder, of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty



holder and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the prevailing regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed (or to be constructed) thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the properties.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

11.3 Environmental matters

Information advised by the Company and inspection have provided no evidence that there is a significant risk of contamination in respect of any of the properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market would, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.



Commensurate with our Assumptions set out above we have not made any allowance in the valuations for any effect in respect of actual or potential contamination of land or buildings.

Flooding

If any of the properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the properties, without payment of an excessive premium or excess.

11.4 Areas

We have been provided with floor areas by the Company and we have relied on these areas for the purpose of the valuation. We have made the Assumption that the relevant floor areas supplied to us have been calculated in accordance with market practice. We have therefore assumed that, were a full measurement survey to be carried out on all the accommodation, the results would be consistent with the information provided by the Company.

The Company has provided us with schedules of proposed floor areas in respect of the Properties under construction which we have relied on for the purpose of the valuation.

11.5 Statutory requirements and planning

As instructed, we have not made detailed planning enquiries. We have made an Assumption that the Properties have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of a current Fire Certificate and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further Assumption that the existing use of the Properties is duly authorised or established and that no adverse planning conditions or restrictions apply. We have assumed that for those Properties in the course of construction, that all planning conditions and permits will be satisfied.

11.6 Leasing

In accordance with instructions, we have not read the leases or any other associated documents and have therefore relied on the tenancy information provided by the Company, which we have assumed is both complete and accurate. The Company has provided us with tenancy details as from September, which we understand is the most recent available, and for the purpose of this instruction we have assumed that the information is an accurate reflection of the position as at the date of valuation. Should any of the details provided by the Company prove to be incorrect then our valuations should be reviewed accordingly.

We have not undertaken investigations into the financial strength of the tenants. We have made an Assumption that the tenants are financially in a position to meet their obligations. We have also made an Assumption that there are no material arrears of rent or service charges or breaches of covenants, current or anticipated tenant disputes.



However, our valuation reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

11.7 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

12. Properties in the course of development or requiring refurbishment

In undertaking the valuation of the Properties designated for development, where available we have relied upon the total anticipated construction cost estimates provided by the Company as at the valuation date. In some cases this has included all costs including finance costs and contingency, although in other cases we were provided with an explicit breakdown of costs where we have applied a market finance rate and contingency where applicable. Where construction costs or related fees have not been made available we have applied our own estimates based on the proposed development. We have applied an appropriate profit margin based on the profit absorption of the Company and taking into account the stage in development process and remaining risk profile.

In respect of those buildings or parts of those buildings which are not pre-let or where agreements have not been entered into to sell the Property on completion, we have allowed for letting and associated costs, where these have not been included in the development costs provided by the Company.

13. Deposits

In preparing our valuations of the residential Properties in the process of development, we have formed an opinion of the likely total sales price of any unsold units. Where deposits or reservation fees have been accepted for apartments these have not been deducted from the valuation.



14. Valuation

We are of the opinion that the aggregate of the Market Values as at 31 December 2009 of the freehold and leasehold interests in the development Properties described in the appendices, subject to the Assumptions, and comments in this Valuation Report and in the appendices was as follows:-

€432,370,000

(Four Hundred and Thirty Two Million, Three Hundred and Seventy Thousand Euros)

A breakdown of the individual values is provided in Appendix B.

The Assumption referred to above are standard assumptions as contained in all valuation reports.

15. Confidentiality and disclosure

The contents of this Valuation Report and appendices are confidential to the Company for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained.

Yours faithfully

A handwritten signature in red ink, appearing to read 'Paul Wolfenden'.

Paul Wolfenden
Chartered Surveyor
Director
For and on behalf of DTZ Debenham Tie Leung Limited

ORCO PROPERTY GROUP
Société anonyme

ORCO CEE DEVELOPMENT PORTFOLIO - MARKET VALUES 31 DECEMBER 2009				
DTZ Asset Number	Asset	Asset Class	Location	Q4 2009 Market Value (€)
1	Americka 11	Residential	Czech Rep.	€ 1,760,000
2	Bedřichov - Spyndřeluv Mlyn	Residential Development	Czech Rep.	€ 4,440,000
3	Bellevue	Residential	Czech Rep.	€ 270,000
4	Benice 1	Land Bank	Czech Rep.	€ 12,470,000
5	Benice 2-5	Land Bank	Czech Rep.	€ 15,870,000
6	Bubny	Land Bank	Czech Rep.	€ 75,000,000
7	Doupovska	Land Bank	Czech Rep.	€ 3,340,000
8	Grand - Spyndřeluv Mlyn	Residential Development	Czech Rep.	€ 2,200,000
9	Kosic Phase 1	Residential Development	Czech Rep.	€ 780,000
10	Kosic phase 2	Residential Development	Czech Rep.	€ 5,120,000
11	Kosic Phase 3	Residential Development	Czech Rep.	€ 21,460,000
12	Mezihoří	Land Bank	Czech Rep.	€ 2,550,000
13	Michle	Residential Development	Czech Rep.	€ 2,490,000
14	Mostecka	Residential Development	Czech Rep.	€ 13,770,000
15	Nové Dvory	Residential Development	Czech Rep.	€ 5,490,000
16	Nové Medlánky III	Residential Development	Czech Rep.	€ 120,000
17	Nupaky	Land Bank	Czech Rep.	€ 4,590,000
18	OBI Decin	Retail	Czech Rep.	€ 1,450,000
19	Pivovar Vrchlabí	Residential Development	Czech Rep.	€ 1,760,000
20	Plachta Jih	Residential Development	Czech Rep.	€ 820,000
21	Plachta III	Residential Development	Czech Rep.	€ 2,960,000
22	Praga I	Residential Development	Czech Rep.	€ 3,640,000
23	Rubeška	Land Bank	Czech Rep.	€ 360,000
24	Rudna II	Logistics/Industrial	Czech Rep.	€ 4,460,000
25	Rudna III	Logistics/Industrial	Czech Rep.	€ 650,000
26	Slezská Na Františku	Residential Development	Czech Rep.	€ 1,460,000
27	U Hranic	Land Bank	Czech Rep.	€ 1,460,000
28	Vavřenova 4	Land Bank	Czech Rep.	€ 1,650,000
29	Vysocanská brána	Land Bank	Czech Rep.	€ 21,160,000
30	Kolín	Land Bank	Czech Rep.	€ 210,000
31	Radotín	Land Bank	Czech Rep.	€ 2,990,000
	Subtotal		Czech Rep.	€ 218,760,000
32	Koliba/ Parkville	Residential Development	Slovakia	€ 24,620,000
33	Stein Brewery	Development	Slovakia	€ 10,000,000
	Subtotal		Slovakia	€ 34,620,000
34	Váci 1	Development	Hungary	€ 40,110,000
	Subtotal		Hungary	€ 40,110,000
35	Białystok	Land Bank	Poland	€ 2,010,000
36	Feliz Residence/Drawska	Residential For sale	Poland	€ 8,850,000
37	Józefosław all phases	Land Bank	Poland	€ 6,660,000
38	Klonowa Aleja / Malborska	Residential For sale	Poland	€ 32,360,000
39	Krakow Ruczaj all	Land Bank	Poland	€ 4,220,000
40	Mokotowska	Residential For sale	Poland	€ 5,190,000
41	Przy Parku/ Drawska 2	Land Bank	Poland	€ 3,450,000
42	Szczecin all/ Szosa Polska	Land Bank	Poland	€ 5,950,000
43	Złota 44	Development	Poland	€ 46,980,000
44	Szafłowa Aleja	Residential For sale	Poland	€ 120,000
	Subtotal		Poland	€ 116,790,000
45	Kaluga (R10)	Land Bank	Russia	€ 8,000,000
46	Otrada	Land Bank	Russia	€ 6,610,000
47	Radishevskaya	Office	Russia	€ 10,490,000
	Subtotal		Russia	€ 25,100,000
	TOTAL			€ 432,370,000

ORCO PROPERTY GROUP
Société anonyme

SCHEDULE E: DTZ VALUATION REPORT OF ORCO GERMANY
PORTFOLIO AS AT 31 DECEMBER
2009



Orco Germany
Date of valuation 31 December 2009
Date of report 01 March 2010

Private & Confidential

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Our ref: pw.iw.nh.0155.0310.rep

For the attention of Mr Jean-Francois Ott, Chairman

01 March 2010

Dear Sirs

VALUATION OF SELECTED ASSETS WITHIN THE GERMAN PORTFOLIO:

1. Introduction

We understand from Orco Property Group SA (the "Company") that our Report and Valuation (the "Report") is required for accounts purposes and is intended to be an update to our previous reports and should therefore be read in conjunction with those reports.

In accordance with instructions from the Company we have prepared our opinion of Market Value of the following selected freehold properties forming part of Orco's German portfolio, as at 31 December 2009:

- 47 x Commercial Assets ('GSG' Portfolio);
- 9 x Other Commercial Assets ('Other Assets');
- 1 x Luxembourg Asset ('Luxembourg Asset');
- 3 x Residential Development Sites ('Resi Dev');
- 8 x Commercial Development Sites ('Com Dev'); and
- 5 x Nursing Homes/Assisted Living Assets.

Two of these assets are held under the German equivalent of leasehold, being Wupperstr and Truderinger Straße.

Full details of the individual assets and addresses are in the Schedule attached hereto, as well as the proformas in making up Appendix C.

DTZ

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A list of directors' names is open to inspection at the above address
DTZ Debenham Tie Leung Limited Registered in England No 2757768
Registered office 125 Old Broad Street London EC2N 2BQ





2. Inspections

The Properties were inspected by members of DTZ's International Valuation team within the last 12 months. Where appropriate, the Company has confirmed that there have been no material changes to the physical attributes of the Properties and the locations in which they are situated since the last inspection. It is stated that other than any changes as advised by the client, the valuations are based on an Assumption there have been no such material changes.

3. Compliance with RICS Valuation Standards

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted standard of valuation.

4. Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

As one of the few leading firms of real estate advisors in Germany there are inevitable instances where DTZ act for the Company as advisor/agent on individual projects/assets. This is in the normal course of our business and does not, we believe, create any conflicts in providing the valuations reported herein.

Aside from this, we confirm that we have had no previous direct or indirect interest, financial or otherwise in the Properties or the Company or their subsidiaries or other affiliates, except in connection with valuations, and we therefore do not consider that any conflict arises in preparing the advice requested.

5. Purpose of the valuation

We understand that the valuations are required in connection with the Company's internal accounts.

6. Disclosures required under the provisions of UKPS 5.4

6.1 Name of signatory

Paul Wolfenden has been the signatory of Valuation Reports provided to the Company for all assets owned by the Company of the same purpose as the purpose of this Valuation Report on bi-annual basis for a continuous period since 2007. In addition, Paul Wolfenden is the signatory of valuations of all other assets for various purposes since 2002.



DTZ Debenham Tie Leung has been carrying out the valuation instruction for the Company for various purposes within the normal course of business.

6.2 DTZ's relationship with client

DTZ has an ongoing instruction from the Company, to act in a valuation capacity in respect of their property portfolio.

In addition, since DTZ is one of the few leading firms of real estate advisors operating in Germany we also provide valuation, building consultancy, development, leasing and professional advice on an ad hoc basis, to other funds/companies within the Orco Property Group.

6.3 Fee income from the Company

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2009, the proportion of total fees payable by the Company to the total fee income of the Group was less than 5%.

7. Report format

The appendices to this Valuation Report comprise details of the Properties and our valuations.

8. Basis of valuation

Our opinion of the Market Value of each of the properties has been primarily derived using comparable recent market transactions on arm's length terms.

The nursing homes/ assisted living assets have been valued on the basis of a 10 year, Discounted Cashflow (DCF) technique, whilst the development site has been valued using the Residual Valuation Method. Further details of our valuations are attached in Appendix B.

8.1 Market Value

The value of each of the properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.



8.2 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

In line with local market practice, we have not made deductions to reflect purchasers' acquisition costs.

9. Currency

The Properties are to be valued in Euros (€).

10. VAT

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing local rate.

11. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company or their advisors have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:-

11.1 Title

We have not had access to the title deeds of any of the properties. As advised by the Company, we have made an Assumption that the Company is possessed of good and marketable freehold/leasehold title in each case and that the properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also assumed that the properties are free from mortgages, charges or other encumbrances.

11.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

Due regard has been paid to the apparent state of repair and condition of each of the properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the properties are structurally sound or free from any



defects. We have made an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report and the appendices.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties. We have not made an enquiry of the duty holder, of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the prevailing regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed (or to be constructed) thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the properties.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.



11.3 Environmental matters

Information supplied by the Company and inspection have provided no evidence that there is a significant risk of contamination in respect of any of the properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market would, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

Commensurate with our Assumptions set out above we have not made any allowance in the valuations for any effect in respect of actual or potential contamination of land or buildings.

Flooding

If any of the properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the properties, without payment of an excessive premium or excess.

11.4 Areas

We have been provided with floor areas by the Company and we have relied on these areas for the purpose of the valuation. We have made the Assumption that the relevant floor areas supplied to us have been calculated in accordance with market practice. We have therefore assumed that, were a full measurement survey to be carried out on all the accommodation, the results would be consistent with the information provided by the Company.

The Company has provided us with schedules of proposed floor areas in respect of the Properties under construction which we have relied on for the purpose of the valuation.

11.5 Statutory requirements and planning

As instructed, we have not made detailed planning enquiries. We have made an Assumption that the Properties have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of a current Fire Certificate and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further Assumption that the existing use of the Properties is duly authorised or established and that no adverse planning conditions or restrictions apply. We have assumed that for those Properties in the course of construction, that all planning conditions and permits will be satisfied.



11.6 Leasing

In accordance with instructions, we have not read the leases or any other associated documents and have therefore relied on the tenancy information provided by the Company, which we have assumed is both complete and accurate. The Company has provided us with tenancy details as from September 2009, and for the purpose of this instruction we have assumed that the information is an accurate reflection of the position as at the date of valuation. Should any of the details provided by the Company prove to be incorrect then our valuations should be reviewed accordingly.

We have not undertaken investigations into the financial strength of the tenants. We have made an Assumption that the tenants are financially in a position to meet their obligations. We have also made an Assumption that there are no material arrears of rent or service charges or breaches of covenants, current or anticipated tenant disputes.

However, our valuation reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

In addition to the above information, we have also been provided with various documents relating to the various development sites. These documents contained, inter alia, development areas, development costs and construction timings. We have relied on these in undertaking our residual land value assessment.

11.7 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

12. Properties in the course of development or requiring refurbishment

In undertaking the valuation of the Properties designated for development, where available we have relied upon the total anticipated construction cost estimates provided by the Company as at the valuation date. In some cases this has included all costs including finance costs and contingency, although in other cases we were provided with an explicit breakdown of costs where we have applied a market finance rate and contingency where applicable. Where construction costs or related fees have not been made available we have applied our own estimates based on the proposed development. We have applied an appropriate profit margin based on the profit absorption of the Company and taking into account the stage in development process and remaining risk profile.



In respect of those buildings or parts of those buildings which are not pre-let or where agreements have not been entered into to sell the Property on completion, we have allowed for letting and associated costs, where these have not been included in the development costs provided by the Company.

In undertaking valuations of the Properties in the process of development, the company needs to deduct from the value all reservations and deposits received.

13. Valuation

We are of the opinion that the aggregate of the Market Values as at 31 December 2009 of the freehold and leasehold interests in the selected German Properties described in the appendices, subject to their existing tenancies and Assumptions, Special Assumptions and comments in this Valuation Report and in the Appendices is as follows:-

€897,723,000

(Eight Hundred Ninety Seven Million, Seven Hundred and Twenty Three Thousand Euros)

SUB-PORTFOLIO	MARKET VALUE 31 Dec 2009
GSG	€ 445,220,000
Other	€ 76,490,000
Luxembourg	€ 27,900,000
Residential Developments	€ 4,213,000
Commercial Developments	€ 305,350,000
Nursing Homes	€ 38,550,000
GRAND TOTAL	€ 897,723,000

A full summary of property values is detailed in the attached Schedule.



14. Confidentiality and disclosure

The contents of this Valuation Report and appendices are confidential to the Company for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained.

Yours faithfully

A handwritten signature in red ink, appearing to be 'P. Wolfenden'.

Paul Wolfenden
Chartered Surveyor
Director
For and on behalf of DTZ Debenham Tie Leung

ORCO PROPERTY GROUP
Société anonyme

ORCO GERMANY - MARKET VALUE SUMMARY 31 DECEMBER 2009

Asset/ DTZ	Portfolio	ID	Location/City Area	Address	Tenure	Market Value 31 December 2009
1	Orco-GSG	2019	Mitte	TIB Tor 1 GSG-HOF Gustav-Meyer-Allee	Freehold	€ 33,730,000
2	Orco-GSG	2020	Mitte	TIB Tor 2 GSG-HOF Voltastraße	Freehold	€ 34,870,000
3	Orco-GSG	3026	Mitte	Reuchlinstraße	Freehold	€ 60,200,000
4	Orco-GSG	5005	Charlottenburg-Wilmersdorf	Heinholzstraße	Freehold	€ 39,970,000
5	Orco-GSG	7017	Steglitz-Zehlendorf	Wupperstraße 9	Leasehold	€ 4,450,000
6	Orco-GSG	4009	Tempelhof-Schöneberg	Genesstraße 5	Freehold	€ 20,010,000
7	Orco-GSG	13030	Pankow	Pankow (Pankstrasse)	Freehold	€ 20,080,000
8	Orco-GSG	14034	Lichtenberg	Plauerer Straße	Freehold	€ 21,060,000
9	Orco-GSG	12032	Marzahn-Hellersdorf	Woffener Straße 32-34	Freehold	€ 20,600,000
10	Orco-GSG	12029	Marzahn-Hellersdorf	Woffener Straße 36	Freehold	€ 19,080,000
11	Orco-GSG	2336	Mitte	Waltstraße 10-13	Freehold	€ 12,870,000
12	Orco-GSG	2018	Mitte	Schwedenstraße	Freehold	€ 8,790,000
13	Orco-GSG	1010	Friedrichshain-Kreuzberg	Zossener Straße	Freehold	€ 13,480,000
14	Orco-GSG	9031	Tempelhof-Schöneberg	Wilhelm-von-Siemens-Straße 23	Freehold	€ 10,280,000
15	Orco-GSG	6013	Reinickendorf	Lötterser Straße	Freehold	€ 6,760,000
16	Orco-GSG	1004	Friedrichshain-Kreuzberg	Reichenberger Straße	Freehold	€ 8,880,000
17	Orco-GSG	1027	Friedrichshain-Kreuzberg	Schlesische Straße	Freehold	€ 13,000,000
18	Orco-GSG	1002	Friedrichshain-Kreuzberg	Bücherstraße 22	Freehold	€ 9,320,000
19	Orco-GSG	1022	Friedrichshain-Kreuzberg	Lobeckstraße 36	Freehold	€ 8,620,000
20	Orco-GSG	6008	Reinickendorf	Saalmannstraße	Freehold	€ 8,840,000
21	Orco-GSG	15036	Marzahn-Hellersdorf	Hellersdorf, Döberitzstr. (Nr. 9)	Freehold	€ 8,810,000
22	Orco-GSG	1016	Friedrichshain-Kreuzberg	Gnisekstraße 66/67	Freehold	€ 6,670,000
23	Orco-GSG	5021	Charlottenburg-Wilmersdorf	Sophie-Charlotten-Straße	Freehold	€ 8,340,000
24	Orco-GSG	1304	Friedrichshain-Kreuzberg	Alexandrinestraße	Freehold	€ 3,820,000
25	Orco-GSG	1333	Friedrichshain-Kreuzberg	Adalbertstraße	Freehold	€ 6,000,000
26	Orco-GSG	1386	Friedrichshain-Kreuzberg	Waldemarstraße 33	Freehold	€ 3,830,000
27	Orco-GSG	1372	Friedrichshain-Kreuzberg	Oranienstraße 6	Freehold	€ 4,480,000
28	Orco-GSG	1349	Friedrichshain-Kreuzberg	Köpenicker Straße 154a, 155, 156, 157, 158	Freehold	€ 4,320,000
29	Orco-GSG	1012	Friedrichshain-Kreuzberg	Prinzessinnenstraße	Freehold	€ 2,820,000
30	Orco-GSG	1405	Friedrichshain-Kreuzberg	Köpenicker Straße 154	Freehold	€ 4,880,000
31	Orco-GSG	4384	Tempelhof-Schöneberg	Genesstraße 6	Freehold	€ 1,870,000
32	Orco-GSG	1001	Friedrichshain-Kreuzberg	Bergfriedstraße 2, 4, 6 / Ritterstraße 114, 115	Freehold	€ 2,430,000
33	Orco-GSG	4006	Tempelhof-Schöneberg	Feurgstraße 54	Freehold	€ 2,960,000
34	Orco-GSG	1368	Friedrichshain-Kreuzberg	Köpenicker Straße 145	Freehold	€ 2,740,000
35	Orco-GSG	8023	Neukölln	Glasower Straße 60 / Juliusstraße 10	Freehold	€ 2,800,000
36	Orco-GSG	1388	Friedrichshain-Kreuzberg	Waldemarstraße 37	Freehold	€ 2,380,000
37	Orco-GSG	1003	Friedrichshain-Kreuzberg	Urbanstraße 71	Freehold	€ 2,900,000
38	Orco-GSG	1366	Friedrichshain-Kreuzberg	Oranienstraße 24	Freehold	€ 2,080,000
39	Orco-GSG	1234	Friedrichshain-Kreuzberg	Oranienstraße 10-11	Freehold	€ 1,870,000
40	Orco-GSG	1211	Friedrichshain-Kreuzberg	Oranienstraße 188	Freehold	€ 1,160,000
41	Orco-GSG	3382	Mitte	Kurfürstenstraße 13/14	Freehold	€ 1,840,000
42	Orco-GSG	2120	Mitte	Ackerstraße 93	Freehold	€ 800,000
43	Orco-GSG	91379	Friedrichshain-Kreuzberg	Naunynstraße 68	Freehold	€ 1,110,000
44	Orco-GSG	5006	Charlottenburg-Wilmersdorf	Franklinstraße 27 (GSG Headquarter)	Freehold	€ 3,860,000
45	Orco-GSG	1135	Friedrichshain-Kreuzberg	Skalitzer Straße 127-128	Freehold	€ 880,000
46	Orco-GSG	1342	Friedrichshain-Kreuzberg	Skalitzer Straße 97	Freehold	€ 880,000
47	Orco-GSG	50068	Charlottenburg-Wilmersdorf	Franklinstraße 27 (Resi/Commercial Building)	Freehold	N/A (See #44)
48	Orco-GSG	3397	Mitte	Kurfürstenstraße 11 (Land plot)	Freehold	€ 660,000
49	Orco-GSG		Mitte	Ackerstraße 81, 83, 84 (Land plot)	Freehold	€ 310,000
SUB-TOTAL GSG						€ 446,220,000
53	Other	16005	Berlin - Mitte	Brunnenstraße 27	Freehold	€ 1,440,000
59	Other	16012	Berlin - Charlottenburg/Wilmersdorf	Kudamm 103-104	Freehold	€ 8,170,000
60	Other	16013	Berlin - Charlottenburg/Wilmersdorf	Kudamm 102	Freehold	€ 8,190,000
62	Other	16033	Köln	Max-Planck-Str.	Freehold	€ 6,830,000
66	Other	16032	Düsseldorf	Wasserstraße 6a, 7, 8	Freehold	€ 8,380,000
70	Other	16029	Berlin - Mitte	Brunnenstr. 156	Freehold	€ 3,110,000
71	Other	16030	Berlin - Mitte	Invalidenstr. 112/Chausseestr. 21 (Apple Tree)	Freehold	€ 6,170,000
72	Other	16028	Charlottenburg-Wilmersdorf	Franklinstraße 9-15a (Gebäudehöfe)	Freehold	€ 37,260,000
	Other		Berlin-Wedding	Lötlicher Str 49	Freehold	€ 870,000
SUB-TOTAL OTHER						€ 76,480,000
73	Lux	122007	Luxembourg - Capellen	Parc D'Activites, Rue Pafelbruch 38-40	Freehold	€ 27,800,000
SUB-TOTAL LUXEMBOURG						€ 27,800,000
74	Resi Dev.		Kleinmachnow	Am Hochwald 30a-n	Freehold	€ 810,000
75	Resi Dev.		Kleinmachnow	Hakeburg Zehlendorfer Damm 185	Freehold	€ 2,376,000
	Resi Dev.	60327	Frankfurt am Main	Bachforenweg 18	Freehold	€ 828,000
SUB-TOTAL RESIDENTIAL DEVELOPMENTS						€ 4,213,000
78	Comm Dev		Hamburg	Elb-Office	Freehold	€ 1,760,000
79	Comm Dev		Düsseldorf	Grey House, Huettnerstraße	Freehold	€ 6,100,000
80	Comm Dev		Duisburg	H2 Office, Schifferstraße 176	Freehold	€ 28,000,000
81	Comm Dev		Düsseldorf	Sky Office, Kennedydamm	Freehold	€ 196,000,000
82	Comm Dev		Frankfurt	Helberger, Gr. Friedberger Str. 23-27	Freehold	€ 11,000,000
83	Comm Dev		Berlin	Wertheim Site, Leipziger Pl. 12/ Leipzig Str. 13/ Volstr. 24	Freehold	€ 84,300,000
84	Comm Dev		Berlin	Cumberland Palace, Ku'dam 193/194/ Lietzenburger str. 104-106	Freehold	€ 28,000,000
	Comm Dev		Berlin	Ministergarten, Ebertstraße 15a, Berlin	Freehold	11,200,000
SUB-TOTAL COMMERCIAL DEVELOPMENTS						€ 306,360,000
86	Nursing		Götersloh	Neuenkirchenerstraße/ Tiefenweg	Freehold	€ 11,800,000
87	Nursing		Oranienburg	Bemauer Straße 67	Freehold	€ 10,680,000
88	Nursing		Rostock	Tschalkowskistraße 33	Freehold	€ 8,760,000
89	Nursing		Berlin	Danziger Straße 73-77	Freehold	€ 6,640,000
90	Nursing (Site)		Munich	Truderinger Straße	Leasehold	€ 1,800,000
SUB-TOTAL NURSING HOMES						€ 38,680,000
GRAND TOTAL						€ 887,723,000

€ XXX - Contracted sale price
- Additional assets for Q4 2009

ORCO PROPERTY GROUP

Société anonyme

SCHEDULE F: DTZ VALUATION REPORT OF CENTRAL EUROPEAN
HOSPITALITY PORTFOLIO AS AT 31 DECEMBER 2009



Private & Confidential

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Direct fax: +44 (0) 20 3296 4431

Your ref:
Our ref: pw.rc.nh.0198.0310.rep

For the attention of The Directors

26 March 2010

Dear Sirs

Orco CEE Hotel Portfolio

1. Introduction

We understand from Orco Property Group SA (the "Company") that our Report and Valuation (the "Report") is required for accounts purposes and is intended to be an update to our previous reports and should therefore be read in conjunction with those reports.

In accordance with instructions from the Company we have prepared our opinion of Market Value of the freehold/leasehold interests in each of the properties listed in Appendix A (the "Properties") as at 31 December 2009.

The portfolio totals 12 assets, comprising the following:-

- 4 hotel assets in The Czech Republic
- 3 hotel assets in Hungary
- 3 hotel assets in Poland
- 1 hotel asset in Russia
- 1 hotel asset in Slovakia

2. Inspections

The Properties were inspected by members of DTZ's hospitality team during December 2009. Where appropriate, the Company has confirmed that there have been no material changes to the physical attributes of the Properties and the locations in which they are situated since the last inspection. It is stated that other than any changes as advised by the client, the valuations are based on an Assumption there have been no such material changes.

DTZ

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A list of directors' names is open to inspection at the above address.
DTZ Debenham Tie Leung Limited Registered in England No 2757788
Registered office 125 Old Broad Street London EC2N 2BQ





3. Compliance with RICS Valuation Standards

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted standard of valuation.

4. Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

As one of the few leading firms of real estate advisors in Central and Eastern Europe there are inevitable instances where DTZ act for the Company as advisor/agent on individual projects/assets. This is in the normal course of our business and does not, we believe, create any conflicts in providing the valuations reported herein.

Aside from this, we confirm that we have had no previous direct or indirect interest, financial or otherwise in the Properties or the Company or their subsidiaries or other affiliates, except in connection with valuations, and we therefore do not consider that any conflict arises in preparing the advice requested.

5. Purpose of the valuation

We understand that the valuations are required in connection with the Company's internal accounts.

Therefore, in accordance with UKPS 5.4 we have made certain disclosures in connection with this valuation instruction and our relationship with the Company/Fund. These are included in item 6 below.

6. Disclosures required under the provisions of UKPS 5.4

6.1 Name of signatory

Paul Wolfenden has been the signatory of Valuation Reports provided to the Company for all assets owned by the Company of the same purpose as the purpose of this Valuation Report on bi-annual basis for a continuous period since 2007. In addition, Paul Wolfenden is the signatory of valuations of all other assets for various purposes since 2002.

DTZ Debenham Tie Leung has been carrying out the valuation instruction for the Company for various purposes within the normal course of business.



6.2 DTZ's relationship with client

DTZ has an ongoing instruction from the Company, to act in a valuation capacity in respect of their property portfolio.

In addition, since DTZ is one of the few leading firms of real estate advisors operating in Central and Eastern Europe we also provide valuation, building consultancy, development, leasing and professional advice on an ad hoc basis, to other funds/companies within the Orco Property Group.

6.3 Fee income from the Company

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2009, the proportion of total fees payable by the Company/Fund to the total fee income of the Group was less than 5%.

6.4 DTZ involvement in any of the properties in the previous 12 months

DTZ have not received any introductory or acquisition fees in respect of any of the properties during the 12 months prior to the date of valuation. DTZ have provided valuation advice in respect of the Properties for accounts purposes, and Bank valuation purposes over the last 12 months.

7. Report format

The appendix to this Valuation Report comprise details of the properties and our valuations.

8. Basis of valuation

Our opinion of the Market Value of the Hotels has been primarily derived using an estimate of the future potential net income generated by use of the Hotels which have been incorporated into a discounted cash flow ("DCF").

8.1 Market Value

The value of each of the properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.



8.2 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

We have made deductions to reflect purchasers' acquisition costs.

9. VAT

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

10. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company or their advisors have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:-

10.1 Title

We have not had access to the title deeds of any of the properties. As advised by the Company, we have made an Assumption that the Company is possessed of good and marketable freehold/leasehold title in each case and that the properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also assumed that the properties are free from mortgages, charges or other encumbrances.

10.2 Condition of structure and services, deleterious materials, plant and machinery

Due regard has been paid to the apparent state of repair and condition of each of the properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the properties are structurally sound or free from any defects. We have made an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report and the appendix.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used



in the construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties. We have not made an enquiry of the duty holder, of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the prevailing regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed (or to be constructed) thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

Our valuation reflects those items of plant or machinery forming part of the operating hotels. Accordingly, we have included all items of plant, machinery and equipment installed wholly or primarily in connection with the ongoing operation of the businesses. We have also included furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

In the instances where Properties are in the course of renovation, our valuations are based on the Assumption that the completed works will also satisfy the various matters discussed above.

10.3 Environmental matters

Information supplied by the Company and inspection have provided no evidence that there is a significant risk of contamination in respect of any of the properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the properties



or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market would, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

Commensurate with our Assumptions set out above we have not made any allowance in the valuations for any effect in respect of actual or potential contamination of land or buildings.

Flooding

If any of the properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the properties, without payment of an excessive premium or excess.

10.4 Areas

We have been provided with floor areas by the Company and we have relied on these areas for the purpose of the valuation. We have made the Assumption that the relevant floor areas supplied to us have been calculated in accordance with market practice. We have therefore assumed that, were a full measurement survey to be carried out on all the accommodation, the results would be consistent with the information provided by the Company.

10.5 Statutory requirements and planning

As instructed, we have not made detailed planning enquiries. We have made an Assumption that the Properties have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of a current Fire Certificate and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further Assumption that the existing use of the Properties is duly authorised or established and that no adverse planning conditions or restrictions apply. We have assumed that for those Properties in the course of construction, that all planning conditions and permits will be satisfied.

10.6 Management Contracts / Leasing

In accordance with instructions, we have not read the management contracts, leases or any other associated documents and have therefore relied on the information provided by the Company, which we have assumed is both complete and accurate. The Company has provided us with profit and loss accounts and projections as at December 2009, and for the purpose of this instruction we have assumed that the information is an accurate reflection of the position as at the date of valuation. Should any of the details provided by the Company prove to be incorrect then our valuations should be reviewed accordingly.



We have not undertaken investigations into the financial strength of the tenants. We have made an Assumption that the operators are financially in a position to meet their obligations. We have also made an Assumption that there are no material arrears, breaches of covenants and current or anticipated disputes.

10.7 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the Properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

11. Valuation

We are of the opinion that the aggregate of the Market Values as at 31 December 2009 of the freehold or leasehold interests in the properties described in the appendix, subject to the Assumptions, Special Assumptions and comments in this Valuation Report and in the appendix is in the region of:-

€ 126,660,000

(One Hundred and Twenty Six Million Six Hundred and Sixty Thousand Euros)

A detailed breakdown of individual asset values is attached in Appendix A.



12. Confidentiality and disclosure

The contents of this Valuation Report and appendix are confidential to the Company for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation Standards referred to herein. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

A handwritten signature in red ink, appearing to read 'P. Wolfenden', with a long horizontal stroke extending to the right.

Paul Wolfenden
Chartered Surveyor
Director
For and on behalf of DTZ Debenham Tie Leung

ORCO PROPERTY GROUP
Société anonyme

ORCO - CEE HOTELS: MARKET VALUES - 31 DECEMBER 2009						
Name	Location	Rooms	Cap Rate	Discount Rate	Market Value as of 31 Dec 09	Per Room
Pokrovka	Moscow	84	10.0%	12.0%	€37,700,000	€448,810
Courtyard by Marriott Flora	Prague	161	7.3%	9.3%	€20,800,000	€129,193
Imperial	Ostrava	162	8.5%	11.0%	€14,280,000	€88,148
Riverside	Prague	81	8.0%	10.0%	€9,170,000	€113,210
Belgicka	Prague	30	7.5%	10.0%	€3,570,000	€119,000
Andrassy	Budapest	68	7.8%	10.3%	€5,460,000	€80,294
Izabella	Budapest	38	8.0%	10.5%	€4,040,000	€106,316
Starlight	Budapest	54	7.5%	10.5%	€6,670,000	€123,519
Parkhotel Vienna	Bielsko Biela	113	10.0%	12.5%	€4,140,000	€36,637
Regina	Warsaw	61	7.8%	10.3%	€14,010,000	€229,672
Diana	Warsaw	46	8.0%	11.0%	€5,890,000	€128,043
Sulekova	Bratislava	32	8.0%	11.0%	€930,000	€29,063
Total		930			€ 126,660,000	

ORCO PROPERTY GROUP
Société anonyme

SCHEDULE G: DTZ VALUATION REPORT OF SUNCANI HVAR PORTFOLIO AS AT
31 DECEMBER 2009



Private & Confidential

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Direct fax: + 44 (0) 20 3269 4431

Your ref:
Our ref: pw.rc.nh.0199.0310.rep

For the attention of the Directors

26 March 2010

Dear Sirs

Valuation of hospitality and related assets in Croatia

1. Introduction

We understand from Orco Property Group SA (the "Company") that our Report and Valuation (the "Report") is required for accounts purposes and is intended to be an update to our previous reports and should therefore be read in conjunction with our previous reports that have been prepared over time and supplied to the Company.

In accordance with instructions from the Company we have prepared our opinion of Market Value of the respective legal interests in each of the properties listed below (the "Properties") as at 31 December 2009.

Property	City	Use	Tenure	Classification
SHH Office Building	Hvar	Office	Freehold	2
Cafe Pjaca	Hvar	Restaurant	Freehold	2
Camp Site Vira	Hvar	Camp Site/ Development Site	Freehold	2/4
FOR Retail Complex	Hvar	Retail	Freehold	
Hotel Adriana	Hvar	Hotel	Freehold	2
Hotel Bodul	Hvar	Hotel	Freehold	2
Hotel Dalmacija	Hvar	Hotel/ Development Site	Freehold	2
Hotel Dalmacija 2	Hvar	Development Site	Freehold	4
Hotel Delfin	Hvar	Hotel	Freehold	2
Hotel Galeb	Hvar	Hotel	Freehold	2
Hotel Pharos	Hvar	Hotel	Freehold	2

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A list of directors' names is open to inspection at the above address.
DTZ Debenham Tie Leung Limited Registered in England No 2757788
Registered office 125 Old Broad Street London EC2N 2BQ





Property	City	Use	Tenure	Classification
Hotel Riva	Hvar	Hotel	Freehold	2
Hotel Sirena	Hvar	Hotel	Freehold	2
Palace Hotel	Hvar	Hotel	Freehold	2
Hotel Amfora	Hvar	Hotel	Freehold	2
Bonj Beach Cafe	Hvar	Restaurant/Bar	Freehold	2
Obonjan Island	Sibenik	Land	Public Private Partnership	Land

Classification

1. Investment Property
2. Hotels, Leisure and Owner Occupier Building
3. Properties under development
4. Inventories
5. Land

2. Inspections

The Hvar Properties were inspected part internally and externally by Paul Wolfenden in August 2009.

Where appropriate, the Company has confirmed that there have been no material changes to the physical attributes of the Properties and the locations in which they are situated since the last inspection. It is stated that other than any changes as advised by the client, the valuations are based on an Assumption there have been no such material changes.

The Company has requested that we undertake the valuation of Obonjan Island without inspection. We have therefore relied entirely upon the limited information provided. Please also see Section 10.1 regarding this property.

3. Compliance with RICS Valuation Standards

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted standard of valuation.

4. Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of the valuation.

We have carried out the valuation of investment assets for acquisition purpose and on bi-annual basis for accounting purposes and this has been discussed with the Company and that, notwithstanding our involvement, the client has confirmed we may proceed with the valuation.



We confirm that we have no current fee earning involvement with any of the Properties.

5. Purpose of the valuation

We understand that the valuations are required in connection with the Company's internal accounting.

6. Disclosures required under the provisions of UKPS 5.4

6.1 Name of signatory

Paul Wolfenden has been the signatory of Valuation Reports provided to the Company for all assets owned by the Company of the same purpose as the purpose of this Valuation Report on bi-annual basis for a continuous period since 2007. In addition, Paul Wolfenden was the signatory of the valuation reports for the other Orco related entities for acquisition purposes in 2006 and the signatory of valuations of all other assets for various purposes since 2002.

DTZ Debenham Tie Leung has been carrying out the valuation instruction for the Company for various purposes within the normal course of business.

6.2 DTZ's relationship with client

DTZ has an ongoing instruction for the Company, to act in an advisory capacity, which includes leasing and professional instructions in respect of the subject property portfolio. We confirm that the Director responsible for the valuation has formed an independent view of the property valuations on behalf of the Company.

In addition, we provide valuation, building consultancy, development, leasing and professional advice on an ad hoc basis, to other funds/companies within the Orco Property Group.

6.3 Fee income from the Company

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "Group"). In the Group's financial year to 30 April 2009, the proportion of total fees payable by the Company/Fund to the total fee income of the Group was less than 5%.

7. Report format

The appendices to this Valuation Report comprise details of the properties and our valuations.

8. Basis of valuation

Our opinion of the Market Value of each of the properties has been derived where possible using comparable recent market transactions on arm's length terms with due regard to projected cashflows, discounted at appropriate rates relative to the risks each property presents.



8.1 Market Value

The value of each of the properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.

8.2 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

In line with local market practice, we have not made deductions to reflect purchasers' acquisition costs.

9. VAT

The capital valuations and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

10. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company or their advisors have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:-

10.1 Title

We have not had access to the title deed or certificates of Title for the Properties. We have made an Assumption that there is good and marketable title and that the Properties are free from rights of way or easements, restrictive covenants, disputes and onerous or unusual outgoings. We have also made an Assumption that the Properties are free from mortgages, charges or other encumbrances. The Property with a Forward Purchase agreement and those



subject to Joint Venture agreements have been included within our valuation on the assumption that they are fully owned by the Company, whom should deduct from the value any monies owed in this respect. Where appropriate, this is stated in the property reports in Appendix B.

In the case of Obonjan Island, it is our understanding that this property is held by way of a Public Private Partnership (PPP). The Company has informed us that they do not intend to develop the Property which would therefore break the partnership. On this basis it is our understanding that the Company does not hold a marketable title in the Property and consequently we have attributed no value to the Property. We have not been provided with a copy of the PPP agreement and therefore cannot comment upon its contents. Should this document include penalties for not developing the Property the value reported may become a liability. Your attention is drawn to the paragraph below.

Legal issues, and in particular the interpretation of matters relating to title and leases, may have a significant bearing on the value of an interest in property. No responsibility or liability will be accepted for the true interpretation of the legal position of our client or other parties. Where we express an opinion upon legal issues affecting the valuation, then such opinion should be subject to verification by the client with a suitable qualified lawyer. In these circumstances, we accept no responsibility or liability for the true interpretation of the legal position of the client or other parties in respect of the valuation of the property.

10.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

Due regard has been paid to the apparent state of repair and condition of the Properties, but a condition survey has not been undertaken, nor have woodwork or other parts of the structure which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the Properties are structurally sound or are free from any defects. We have made an Assumption that the Properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects.

In respect of those assets under construction we have assumed that any new building constructed will be constructed in a workman like manner in accordance with good building practice and comprise suitable materials in keeping with similar developments.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious material have been used in the constructions or any alterations, and therefore we cannot confirm that the Properties are free from risk in this regard. For the purposes of this valuation, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. Where relevant, we have made an Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed, or to be constructed thereon. We have also made an Assumption that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupations, developments or values of the Properties.



No tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services are functioning satisfactorily.

No allowance has been made in this valuation for any items of plant or machinery not forming part of the service installations of the building. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with any of the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any goodwill that may arise from the present occupations of the Properties.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the valuation report will in no way relate to, or give warranties as to, the condition of the structure, foundations, soil and services.

10.3 Environmental matters

Information advised by the Company and inspection have provided no evidence that there is a significant risk of contamination in respect of any of the properties. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market would, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

Commensurate with our Assumptions set out above we have not made any allowance in the valuations for any effect in respect of actual or potential contamination of land or buildings.

Flooding

If any of the properties lie within or close to a flood plain, or have a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owners of the properties, without payment of an excessive premium or excess.

10.4 Areas

We have been provided with floor areas by the Company and we have relied on these areas for the purpose of the valuation. We have made the Assumption that the relevant floor areas supplied to us have been calculated in accordance with market practice. We have therefore assumed that, were a full measurement survey to be carried out on all the accommodation, the results would be consistent with the information provided by the Company.



The Company has provided us with schedules of proposed floor areas in respect of the Properties under construction which we have relied on for the purpose of the valuation.

10.5 Statutory requirements and planning

As instructed, we have not made detailed planning enquiries. We have made an Assumption that the Properties have been constructed in full compliance with valid town planning and building regulations approvals, that where necessary they have the benefit of a current Fire Certificate and that the Properties are not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further Assumption that the existing use of the Properties is duly authorised or established and that no adverse planning conditions or restrictions apply. We have assumed that for those Properties in the course of construction, that all planning conditions and permits will be satisfied.

10.6 Leasing

In accordance with instructions, we have not read the leases or any other associated documents and have therefore relied on the tenancy information provided by the Company, which we have assumed is both complete and accurate. The Company has provided us with tenancy details as from June 2007, which we understand is the most recent available, and for the purpose of this instruction we have assumed that the information is an accurate reflection of the position as at the date of valuation. Should any of the details provided by the Company prove to be incorrect then our valuations should be reviewed accordingly.

We have not undertaken investigations into the financial strength of the tenants. We have made an Assumption that the tenants are financially in a position to meet their obligations. We have also made an Assumption that there are no material arrears of rent or service charges or breaches of covenants, current or anticipated tenant disputes.

However, our valuation reflects the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

10.7 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.



11. Properties in the course of development or requiring refurbishment

Unless otherwise referred to in the Valuation Report, we have relied upon information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date, as advised by the owner of the property or their professional advisers.

Unless otherwise referred to in the Valuation Report, our valuation of the completed building has been based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current British Standards and any relevant codes of practice. We have also made an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.

12. Valuation

We are of the opinion that the aggregate of the Market Values as at 31 December 2009 of the legal interests in the properties described in the appendices, subject to the Assumptions and comments in this Valuation Report and in the appendices was as follows:-

€ 121,970,000

(One Hundred Twenty One Million, Nine Hundred and Seventy Thousand Euros)

Address/Property	City	Designation	Market Value
SHH Office Building	Hvar	Office	€1,140,000
Cafe Pjaca	Hvar	Restaurant	€600,000
Camp Site Vira	Hvar	Camp Site/ Development Site	€2,245,000
FOR Retail Complex	Hvar	Retail	€540,000
Hotel Adriana	Hvar	Hotel	€16,600,000
Hotel Bodul	Hvar	Hotel	€6,100,000
Hotel Dalmacija	Hvar	Hotel/Development Site	€1,175,000
Hotel Dalmacija 2	Hvar	Development Site	€2,140,000
Hotel Delfin	Hvar	Hotel	€2,700,000
Hotel Galeb	Hvar	Hotel	€1,730,000
Hotel Pharos	Hvar	Hotel	€5,600,000
Hotel Riva	Hvar	Hotel	€7,500,000
Hotel Sirena	Hvar	Hotel	€5,700,000
Palace Hotel	Hvar	Hotel	€6,500,000
Hotel Amfora	Hvar	Hotel	€60,300,000
Bonj Beach Cafe	Hvar	Restaurant/Bar	€1,400,000
Obonjan Island	Sibenik	Land	€0
Totals			€121,970,000



13. Confidentiality and disclosure

The contents of this Valuation Report and Appendices are confidential to the party to whom they are addressed for the specific purpose to which they refer and are for their use only. Consequently, and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of their contents. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to the Special Assumptions and/or Departures from the RICS Valuation Standards referred to herein. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Report are combined with others.

Yours faithfully

A handwritten signature in red ink, appearing to read 'P. Wolfenden', with a stylized flourish at the end.

Paul Wolfenden
Chartered Surveyor
Director
For and on behalf of DTZ Debenham Tie Leung Limited

ORCO PROPERTY GROUP
Société anonyme

ORCO HVAR PORTFOLIO - MARKET VALUES 31 DECEMBER 2009												
No.	Address	City	Country	(sqm)	No. Of rooms	Use	Valuation Method	CV per sq m	Market Rent pcm	Yield	Value 31 December 2009	CV per room
99	Administration Block	Hvar	Croatia	589		Office HQ	Investment	€ 1,935	€ 13.50	Initial 8.0 %	€ 1,140,000	
100	Cafe Placa	Hvar	Croatia	93		Restaurant	Profits	€ 6,452	N/A	Discount: 13% Exit: 12%	€ 600,000	
101	Camp Site Vira	Hvar	Croatia	29,934		Camp site and amenities	CV ps/m	€ 75	N/A	P&R 20% Rate per room €260,000	€ 2,245,000	
102	Dalmacija 2	Hvar	Croatia	1,224		Residential Development	CV ps/m	€ 1,748	N/A	N/A	€ 2,140,000	
103	FOR Complex	Hvar	Croatia	448		Retail	Investment	€ 1,205	€ 12.0 Internal €25 External	NIY 9.0%	€ 540,000	
104	Hotel Adriana	Hvar	Croatia	4,558	59	Hotel	Profits	€ 3,642	N/A	Discount: 8.25% Exit: 7.50%	€ 16,600,000	€ 281,000
105	Hotel Bodul	Hvar	Croatia	6,600	300	Hotel	Hotel Residual	€ 924	N/A	Discount: 9% Exit: 8.25%	€ 6,100,000	€ 20,000
106	Hotel Dalmacija	Hvar	Croatia	1,200	20	Hotel	Redevelop/refurb	€ 980	N/A	Discount: 8.5% Exit: 9.0%	€ 1,175,000	€ 59,000
107	Hotel Delfin	Hvar	Croatia	2,635	55	Hotel	Hotel redevelopment	€ 1,025	N/A	N/A	€ 2,700,000	€ 49,000
108	Hotel Galeb	Hvar	Croatia	2,261		Hotel	Residential residual	€ 765	N/A	N/A	€ 1,730,000	
109	Hotel Pharos	Hvar	Croatia	6,517	200	Hotel	Redevelopment/ Refurbishment	€ 859	N/A	Discount: 8.5% Exit: 8.0%	€ 5,600,000	€ 28,000
110	Hotel Riva	Hvar	Croatia	2,555	54	Hotel	Profits	€ 2,935	N/A	Discount: 8.25% Exit: 7.5%	€ 7,500,000	€ 139,000
111	Hotel Sirena	Hvar	Croatia	7,594	158	Hotel	Redevelopment/ Refurbishment	€ 751	N/A	Discount: 9.0% Exit: 8.75%	€ 5,700,000	€ 36,000
112	Palace Hotel	Hvar	Croatia	4,058	73	Hotel	Profits	€ 1,602	N/A	Discount: 11% Exit: 10%	€ 6,500,000	€ 89,000
113	Hotel Amfora	Hvar	Croatia	25,133	324	Hotel	Profits	€ 2,399	N/A	Discount: 8.25% Exit: 7.5%	€ 60,300,000	€ 186,000
114	Borj Beach	Hvar	Croatia			Restaurant/Bar	Future Profit Projections	N/A	N/A	Discount: 15.0% Exit: 10.0%	€ 1,400,000	
TOTAL											€ 121,970,000	

*Room occupancy is based on the number of available rooms

Note: No Value has been applied to Obonjan Island as it is our understanding that Orco do not hold a marketable title. Please see section 10.1 of the report.

SCHEDULE H: 10 YEAR OUTLOOK: SUMMARY TABLE

a. Summary cash flow table

Consolidated Cash Flow In EUR Million	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Commercial Investment Properties	18,1	16,2	25,3	(38,6)	0,9	32,6	18,8	56,5	89,9	89,3	97,8	406,7
Rental portfolio	0,9	(16,7)	(16,1)	(38,6)	0,9	32,6	18,8	56,5	89,9	89,3	97,8	315,2
Rental Revenues	66,8	102,6	107,0	121,4	139,4	147,7	155,6	162,0	162,2	158,8	154,1	1 477,5
Rental OPEX	(31,8)	(43,2)	(40,9)	(44,0)	(48,1)	(50,5)	(52,7)	(54,6)	(54,9)	(54,4)	(53,5)	(528,5)
Net Capex	(23,5)	(88,4)	(79,0)	(83,3)	(36,3)	(23,1)	(52,3)	(47,9)	(15,4)	(15,4)	(13,0)	(477,6)
Divestment and loan repayment flows	9,2	42,8	34,2	10,6	(5,6)	8,3	19,9	50,4	49,9	48,8	55,3	323,8
Interest paid	(19,8)	(30,5)	(37,5)	(43,4)	(48,5)	(49,8)	(51,7)	(53,4)	(51,8)	(48,5)	(45,1)	(480,0)
Hospitality & Russia	17,2	32,9	41,4	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	91,5
Development	24,0	23,0	(1,8)	93,6	31,8	21,1	27,2	65,0	52,4	50,4	85,2	472,0
Residential Development	43,6	(9,5)	(3,4)	64,2	23,8	27,3	16,2	17,5	14,1	9,1	8,6	211,5
Development Revenues	177,9	76,1	178,1	126,3	94,1	103,1	88,4	91,5	54,5	53,9	61,1	1 104,9
Development OPEX	(8,7)	(3,2)	(2,9)	(3,1)	(6,3)	(7,0)	(5,9)	(5,2)	(2,2)	(1,7)	(4,0)	(50,2)
Net Capex	(66,3)	(58,9)	(62,4)	(41,9)	(20,6)	(23,7)	(25,8)	(29,8)	(17,6)	(23,1)	(20,6)	(390,9)
Divestment and loan repayment flows	(53,7)	(16,6)	(112,5)	(16,5)	(43,4)	(44,5)	(39,8)	(38,4)	(20,6)	(19,3)	(27,2)	(432,6)
Interest paid	(9,6)	(9,3)	(3,7)	(0,5)	0,0	(0,5)	(0,7)	(0,7)	0,0	(0,7)	(0,7)	(26,3)
Kosik net CF	4,0	2,5	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	6,5
Commercial Development	(19,6)	32,4	1,7	29,4	8,0	(6,2)	11,0	47,5	38,3	41,3	76,7	260,5
Development Revenues	29,4	184,6	45,8	44,9	43,8	31,5	78,4	119,4	85,2	98,2	103,2	864,4
Development OPEX	(5,7)	(6,4)	(3,4)	(5,6)	(7,2)	(16,1)	(7,2)	(7,8)	(4,9)	(2,5)	(2,4)	(69,1)
Net Capex	(7,8)	(15,2)	(18,7)	(21,9)	(11,5)	(12,0)	(29,5)	(28,0)	(6,8)	(14,6)	0,0	(166,2)
Divestment and loan repayment flows	(29,4)	(126,4)	(18,7)	15,4	(17,1)	(5,3)	(28,5)	(34,0)	(31,7)	(37,6)	(24,2)	(337,4)
Interest paid	(6,0)	(4,3)	(3,3)	(3,4)	0,0	(4,3)	(2,2)	(2,2)	(3,5)	(2,2)	0,0	(31,3)
Service companies	(27,6)	(16,0)	(16,8)	(17,6)	(18,5)	(19,4)	(20,4)	(21,4)	(22,5)	(23,6)	(24,8)	(228,9)
Term out of Safeguard liabilities	0,0	(9,5)	(24,5)	(25,3)	(37,4)	(29,9)	(30,5)	(60,4)	(85,0)	(121,5)	(216,3)	(640,2)
Suppliers		(0,0)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)	(0,1)	(0,2)	(0,3)	(0,4)	(1,4)
Bonds		(9,0)	(23,2)	(24,0)	(36,1)	(28,6)	(29,2)	(57,8)	(81,3)	(116,4)	(208,8)	(614,2)
Guaranties		(0,5)	(1,2)	(1,2)	(1,2)	(1,2)	(1,2)	(2,5)	(3,4)	(4,9)	(7,1)	(24,6)
Net cash flow	14,4	13,7	(17,8)	12,1	(23,2)	4,4	(4,8)	39,6	34,9	(5,5)	(58,1)	9,7
Opening cash	21,1	35,5	49,2	31,4	43,4	20,3	24,6	19,8	59,5	94,3	88,9	
Net cash flow	14,4	13,7	(17,8)	12,1	(23,2)	4,4	(4,8)	39,6	34,9	(5,5)	(58,1)	
Closing cash available	35,5	49,2	31,4	43,4	20,3	24,6	19,8	59,5	94,3	88,9	30,7	

b. Assumptions

The tables below list major assumptions used for the establishment of the Safeguard business plan. They depend on the market conditions and the availability of the required financing. The realization of these assumptions will mainly rely on the market conditions prevailing over the coming ten years. The Company Board of Directors and Management responsibility is to put in place the adequate strategy and organization in order to implement this business plan. Their responsibility is also to adjust the strategy and organization when needed in order to respond to any market change.

Holding level

Item	Details
Service Companies	Based on realized costs in 2009 while taking into account planned savings 5% annual indexation as of 2012 to factor in the increasing number of projects and costs inflation
Guarantees	Guarantees are composed of (i) guarantees issued by mother company OPG towards local banks (ii) miscellaneous guarantees such as costs overrun guarantees The total liability is the shortfall (if any) between (i) the maximum amount of the guarantee and (ii) the estimated sales proceeds of the asset Please note these are wise and cautious estimates given the fact that : - Estimated sales proceeds are based on latest valuations as of Dec-09 at a point where markets condition were challenging while yields moving upwards; - An additional 7% discount with 3% sales costs is applied to valuations; - In case of multiple guarantees, the maximum potential amount is taken into account; - It is assumed that all guarantees will be triggered regardless the probability of this triggering to become actually effective. The potential effects of a cancellation pursuant to a sale, repayment of loan or expiration are therefore ignored; - The repayment schedule starts as of day one of the Plan, regardless of the moment when the guarantee is legally callable

Commercial Investment properties

Item	BP	Details
Entry Yield	8%	After non-recoverable and non-recovered charges at asset level
Vacancy at acquisition	25%	Corresponding to a 22.7% value creation based on rental income
Structural vacancy	8%	
Years needed to reach structural vacancy	3	
Sales Premium	25 bps	Assets bought at a 8% entry yield are sold at 7.75% on last year's net rental income. The 25 bps difference corresponds to the capital appreciation associated with the asset management tasks performed on the assets such as refurbishment or reduction of vacancy moving an sub-institutional property up to investment grade level
Acquisition costs	4%	Mainly transfer tax and broker fees borne by the buyer
Sales costs	2%	Mainly broker fees and legal costs borne by the seller
Capex in % of rental income	5.5% before stabilisation 2.5% after stabilisation	Different percentages due to the importance of investment needed in the 3 first years aiming at attracting new tenants and reducing vacancy and corresponding to major works (roofs, façade re-cladding...). As of year 4, investments are scaled down to maintaining the asset in particular structural maintenance.
LTV at acquisition	65%	Based on acquisition price with acquisition costs
Costs of debt	6.5%	Total cost : base + margin
Margin	75%	Percentage of net rental income left after costs of the company holding the assets (payroll fixed costs, property management...)
Annual indexation	2%	Added to the value created through vacancy reduction and lease engineering
Portfolio turnover rate	2014-2017 : 10% 2018-2020 : 15%	Percentage of <u>stabilized</u> portfolio (in value) sold each year
Average tax rate	20%	Currently 19% in Czech Republic and 19% in Poland

Commercial development

Item	BP	Précision
Yield on costs	10.5%	At delivery and once structural occupancy is reached = annual rental income / all-in-development costs
Exit yield	8%	= buyer's entry yield. The gap between YOC and EY corresponds to developer's profit and rewards the risk taken by the developer to build the asset (31% in the case at hand)
Construction length	12 months	12 months after obtaining the building permit
Letting void	6 months	To be added to the 12 months construction period. Therefore time elapsed between starting of the project and its full delivery is 18 months
Holding period after full leasing	0 months	The essence of a developer is to develop to sell. That's why OPG does not aim at keeping the assets once delivered and sells them to a buyer looking for a secured long term income. Please note that assets stemming from commercial developments may be sold to the "Investment Properties" category
Sales costs	2.5%	Mainly broker fees and legal costs borne by the seller
Loan to Cost	55%	Share (in %) of development costs covered <i>pro-rata</i> by bank loans. The lower rate compared to the "investment properties" is justified by the higher risk of development projects
Opex on rental	2%	Share of the rental income dedicated to letting costs (brokers, lawyers) and spent one year before the sale
Cost of debt	7.5%	Total cost : base + margin Like LTC, higher costs compared to the "investment properties" are justified by the higher risk of development projects
Average tax rate	20%	Currently 19% in Czech Republic and 19% in Poland

Residential development

Indicateur	BP	Précision
Zoned Land Bank		Land bank currently owned by OPG <u>with</u> zoning and building permits in place
Unzoned Land Bank		Land bank currently owned by OPG but <u>without</u> zoning and building permits in place
New Land Bank		Land bank to be acquired
Margin	ZLB : 15.7% ULB : 8.9% NLB : 14.3%	Margin on construction costs before sales costs and interests
Pre-sales	ZLB : 37.5% ULB : 32.5% NLB : 15%	Percentage of total value of the project which is sold before delivery and paid with a 10% deposit , the remainder being paid at delivery. Two tranches (10% each) are factored in the Business Plan
Sales costs to be borne by the Seller	4% 3%	Costs associated with the sale in particular selling process , marketing and advertising. In CEE, transfer tax are to be borne by the Seller
Loan to Cost	50%	Share (in %) of development costs covered <i>pro-rata</i> by bank loans. The lower rate compared to the “investment properties” is justified by the higher risk of development projects
Coût de la dette	7.5%	Total cost : base + margin. Comparable to commercial development
Percentage of repayment on sale price	46%	Percentage of repayment on sale price dedicated to repay bank loan in priority = 1 – average margin (20%) * leverage * two years of interests @ 7.5% p.a
Average tax rate	20%	Currently 19% in Czech Republic and 19% in Poland
Phases		ZLB : Pre-sales Tranche 1 : 0 months Pre-sales Tranche 2 : 12 months Delivery : 24 months ULB : Pre-sales Tranche 1 : 12 months Pre-sales Tranche 2 : 24 months Delivery : 36 months NLB : Pre-sales Tranche 1 : 24 months Pre-sales Tranche 2 : 36 months Delivery : 48 months

c. Grant Thornton report

This document is not confidential in relation with its publication in this Registration Document



ORCO PROPERTY GROUP

Revue des prévisions de trésorerie 2010-2020 pour la partie attenante
aux nouveaux projets

26 mars 2010





Grant Thornton

Monsieur Nicolas Tomasini
ORCO PROPERTY GROUP SA
40, Parc d'Activités Capellen
L-8308 Capellen
Luxembourg

Paris, le 26 mars 2010

Monsieur,

Vous nous avez sollicités en vue de procéder à la revue des prévisions de trésorerie générée par les nouveaux projets et par le projet "Bubny" que le Groupe envisage de réaliser sur la période 2010-2020, conformément à notre lettre de mission datée du 1^{er} décembre 2009 et jointe en annexe.

Déroulement de la mission

Nous avons réalisé nos travaux à partir du modèle de business plan "New Business.xls" que vous nous avez envoyé le mardi 1^{er} décembre 2009. Ce modèle a, au cours de notre mission, fait l'objet de mises à jour et de corrections. À votre demande, un premier rapport avait été établi le 17 décembre 2009.

Début février 2010, vous nous avez communiqué une nouvelle version de ce modèle et nous avez demandé d'actualiser notre rapport. Cette nouvelle version inclut notamment les modifications suivantes:

- La trésorerie initiale est celle du 1^{er} janvier 2010 et non plus celle du 1^{er} juillet 2009,
- Les échéances du plan de remboursement des obligataires ont été revues,
- Les délais de réalisation de certaines tranches du projet Bubny ont été raccourcis.

Stricte ment confidentiel

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Cette nouvelle version du modèle prévoit le dégagement d'un flux de trésorerie cumulé de 670,2 M€ sur 10 ans (dont 21,1 M€ de trésorerie à l'ouverture de l'exercice 2010) permettant de faire face aux échéances du plan de remboursement des obligataires dont le montant total s'élève à 640,2 M€.

La trésorerie à l'ouverture de l'exercice 2010 (21,1 M€) intègre :

- 6,46 M€ de trésorerie disponible dont 4,26 M€ sont localisés au Luxembourg chez OPG SA,
- 15 M€ de trésorerie conservée dans les filiales permettant de faire face aux échéances d'intérêts court terme et taxes dues.

La trésorerie fin de période (31 décembre 2020) s'établirait à 30 M€ et les actifs disponibles (patrimoine foncier) ressortiraient à 577 M€ à cette date.

Les données de ce modèle qui ne concernent que les nouveaux projets sont reprises dans un modèle consolidé qui, pour sa part, consolide les résultats et flux de trésorerie générés tant par les nouvelles affaires (New business) que par les affaires déjà dans le portefeuille de votre Groupe à la date de notre intervention.

Notre mission n'a pas consisté à vérifier l'intégralité du modèle consolidé ni à revoir le modèle de business plan qui couvre les affaires en portefeuille à la date de notre intervention. Nos travaux ont été limités à la revue du modèle de business plan "New business.xls" et à la vérification de la correcte reprise des éléments (résultat et flux de trésorerie) issus de ce modèle dans le modèle consolidé.

Nos travaux résultent principalement des contacts pris auprès des interlocuteurs suivants :

- Monsieur Nicolas Tommasini Deputy CEO
- Monsieur Yves Désiront Deputy CFO
- Monsieur Antoine Richard Group Risk Officer

Nous remercions nos interlocuteurs pour leur accueil et leur collaboration.

Nous restons à votre disposition pour toute information complémentaire que vous pourriez souhaiter.

Nous vous prions de croire, Monsieur, en nos sentiments les meilleurs.

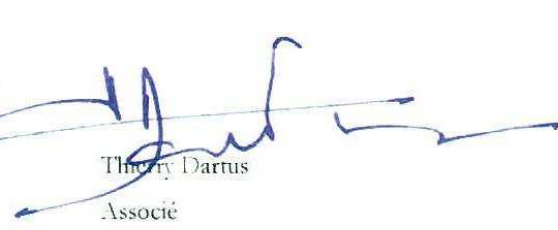
Paris, le 26 mars 2010

Grant Thornton

Membre français de Grant Thornton International



Marc Clavier
Associé



Thierry Dartus
Associé

Glossaire

New Business	Nouveaux projets ou nouvelles affaires
Investment Properties	Activité foncière
Commercial development	Activité de promotion immobilière – Locaux professionnels
Residential development	Activité de promotion immobilière – Secteur résidentiel
Bubny	Projet de promotion immobilière à Prague (République tchèque)
M€	Million(s) d'euros (1 000 000 euros)
2010-2020	Période du 1er janvier 2010 au 31 décembre 2020
POS	Plan d'occupation des sols
PC	Permis de construire
ZLB	Zoned Land Bank : terrains dont le Groupe est propriétaire et qui sont constructibles
ULB	Unzoned Land Bank : terrains dont le Groupe est propriétaire mais qui ne sont pas encore constructibles
NLB	New Land Bank : terrains dont le Groupe n'est pas propriétaire et qui ne sont pas encore constructibles

Sommaire

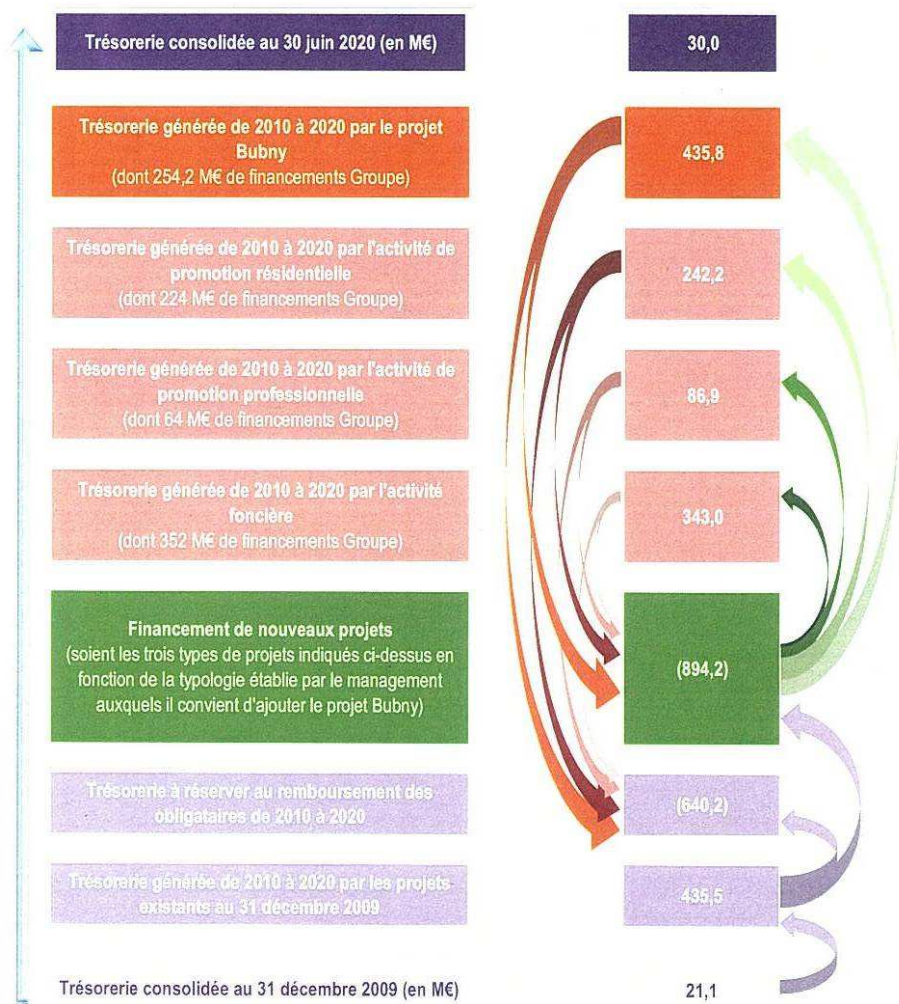
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Section 1

Synthèse

1. Synthèse
2. Business plan 2010-2020 – Activité foncière
3. Business plan 2010-2020 – Promotion immobilière / locaux professionnels
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5. Business plan 2010-2020 – Bubny
6. Annexes

Présentation de la structure générale du Business plan 2010-2020



La construction du business plan repose sur les fondamentaux suivants :

- Développer la réserve foncière (terrains à bâtir) existante dans le but de la revente des actifs construits afin de financer le déploiement des autres activités,
- Augmenter la part du patrimoine foncier dans le portefeuille d'activité du groupe afin d'assurer des flux de trésorerie réguliers et prédictibles.

Cette stratégie d'investissement aboutit à la création d'un portefeuille générant, selon les prévisions, des loyers nets annuels de 50,8 M€ en 2020, et dont la valeur patrimoniale s'établira selon les prévisions à 577 M€ fin 2020. Ce patrimoine viendra s'ajouter aux actifs existants du Groupe en Allemagne et aux projets immobiliers qui seront toujours en cours de construction à cette date (projet Bubny notamment).

La trésorerie générée de 2010 à 2020 par les affaires existantes additionnée à la trésorerie disponible au 1^{er} janvier 2010 ne couvre que 68% du montant nécessaire au remboursement des obligataires : en conséquence, le management envisage d'allouer une partie de cette trésorerie à de nouveaux projets qui, générant eux-mêmes des flux de trésorerie positifs, devrait permettre le remboursement complet des obligataires.

Le plan de sauvegarde est assuré à la fois par la trésorerie des affaires existantes, par les projets d'investissements fonciers ainsi que par les nouveaux développements à réaliser sur des terrains dont la plupart sont déjà propriété du Groupe.

Le modèle de business plan "Nouveaux projets" est bâti par activité sur la base d'hypothèses raisonnables. La réalisation des objectifs est toutefois soumise :

- A la capacité du marché à absorber les produits proposés par le Groupe,
- Au succès du Groupe dans la réalisation des projets dans les délais retenus,
- A la capacité du Groupe à maintenir son savoir-faire dans la gestion des biens immobiliers (activité foncière/ "asset management").

Présentation du Business plan 2010-2020

ORCO - Business plan 2010-2020 - Flux de trésorerie consolidés

Données en M€	2020 (11 années)	déc.-10	déc.-11	déc.-12	déc.-13	déc.-14	déc.-15	déc.-16	déc.-17	déc.-18	déc.-19	déc.-20
Trésorerie consolidée à l'ouverture	21,1	21,1	34,8	48,5	30,6	42,7	19,5	23,9	19,1	58,7	93,6	88,1
Flux liés aux "projets existants"	435,5	39,4	153,4	93,4	125,0	(5,6)	5,2	5,2	5,1	5,0	4,8	4,6
Trésorerie allouée au financement des nouveaux projets (1)	(894,2)	(20,0)	(155,4)	(136,6)	(149,1)	(50,9)	(59,9)	(130,2)	(110,2)	(24,1)	(41,2)	(16,5)
Flux de l'activité foncière	343,0	0,2	1,4	2,7	5,0	9,2	24,4	37,2	65,7	65,2	63,6	68,4
Flux de l'activité de promotion - Locaux professionnels	86,9	(0,1)	2,1	19,1	17,0	18,1	5,5	3,9	10,9	9,1	0,7	0,7
Flux de l'activité de promotion - Secteur résidentiel	242,2	0,2	9,8	22,1	34,6	39,5	33,8	53,8	35,6	(4,0)	(0,8)	17,5
Flux du projet Bubny	435,8	(5,9)	11,9	5,9	4,9	3,9	25,2	55,8	92,9	68,7	89,0	83,6
Trésorerie générée par les nouveaux projets (1)	1 107,9	(5,7)	25,2	49,9	61,5	70,6	88,9	150,7	205,1	139,0	152,5	170,2
Trésorerie disponible pour le remboursement des obligataires	670,2	34,8	58,0	55,2	68,0	56,9	53,8	49,6	119,1	178,5	209,7	246,3
Rembours. des obligataires, garants & fournisseurs	(640,2)		(9,5)	(24,5)	(25,3)	(37,4)	(29,9)	(30,5)	(60,4)	(85,0)	(121,5)	(216,3)
Trésorerie consolidée à la clôture	30,0	34,8	48,5	30,6	42,7	19,5	23,9	19,1	58,7	93,6	88,1	30,0

(1) La trésorerie allouée aux nouveaux projets est répartie entre chacune des activités et Bubny. Les flux de ces activités et de Bubny présentés ici intègrent la part de cette trésorerie qui leur est allouée.

Périmètre de notre intervention limité aux flux générés par les nouveaux projets (lignes sur fond gris ciel ci-dessus)

- Activité foncière,
- Activité de promotion – Locaux professionnels,
- Activité de promotion – Secteur résidentiel,
- Projet Bubny.

Notre revue ne couvre pas la trésorerie générée par les activités existantes ni les montants prévus au titre de l'apurement du plan de sauvegarde.

La trésorerie initiale au 1^{er} janvier 2010 inclut les activités détenues à 100% par le Groupe. Elle exclut donc la trésorerie des activités russes, allemandes, joint venture et hôtellerie.

Nous avons réalisé un contrôle arithmétique de la cascade des flux par activité sur la base desquels sont déterminés le flux de trésorerie consolidés. De même, les contrôles arithmétique réalisés sur les modèles des "Nouveaux projets" n'ont pas révélé d'anomalie.

En fonction des hypothèses retenues par le Management, la trésorerie du Groupe pourrait ressortir à 30 M€ fin décembre 2020 après apurement du plan de sauvegarde pour 640,2 M€.

Business drivers des nouveaux projets et sensibilité du business plan (1/2)

Business drivers et sensibilités

Activité	Principaux business drivers	Commentaires et Sensibilités
Activité foncière	• Réduction de la vacance de 25% à 8% en 3 années • Taux de rentabilité attendu : 8% • Rotation du patrimoine : 10% par an jusqu'en 2016 puis 15% par an • Levier de dette : 65%	• Hypothèses fondées mais la réalisation des prévisions à court terme dépendra fortement des aléas du marché, • La capacité du management à faire évoluer la valeur des biens acquis (réduction de leur vacance grâce à des améliorations) est déterminante : – Si la durée nécessaire à la réduction de la vacance était portée de 3 à 4 ans et que le taux de vacance structurelle était porté de 8 à 11% (réduction de l'objectif initial de 20%), la trésorerie du Groupe pourrait ressortir inférieure de 55 M€ fin 2020 (dont 35 M€ liés à l'extension de la durée d'atteinte de l'objectif de remplissage) par rapport aux prévisions, soit 287,9 M€ versus 343 M€.
Promotion immobilière – Locaux professionnels	• Taux de rentabilité attendu par les investisseurs: 8% • Durée de réalisation des programmes: 12 mois + 6 mois de remplissage • Levier de dette : 55%	• Hypothèses satisfaisantes. Le taux de rentabilité attendu par les investisseurs reste néanmoins sensible. Une variation à la hausse de 0,5 point de ce taux aurait un impact de -8,25 M€ sur le modèle et réduirait ainsi la trésorerie à fin 2020

Business drivers des nouveaux projets et sensibilité du business plan (2/2)

Business drivers et sensibilités

Activité	Principaux business drivers	Commentaires et Sensibilités
Promotion immobilière – Secteur résidentiel	- Taux de marge : – 37,5% sur le ZLB, – 32,5% sur le ULB, – 20% sur le NLB. - Durée de réalisation : – 24 mois pour le ZLB, – 36 mois pour le ULB, – 48 mois pour le NLB. - Levier de dette : 50%	- Les taux de marge présentés ci-contre correspondent aux flux de trésorerie nets de la période. Les acquisitions de terrains ZLB et ULB ayant déjà été réalisée à ce jour n'affectent pas la trésorerie sur la période du business plan, - Hypothèses fondées mais, pour cette activité également, la réalisation des prévisions dépend des aléas du marché, - La capacité du management à atteindre les objectifs de marge et à respecter les durées de réalisation des projets qui ont été retenus parmi les hypothèses est déterminante : la sensibilité du modèle est toutefois moindre que celle du modèle de l'activité foncière : – Si les marges ZLB et ULB étaient limitées à 20%, l'impact sur la trésorerie serait de -16,9 M€ à fin 2020, – Si la durée de réalisation des projets NLB était portée de 48 à 60 mois, l'impact sur la trésorerie serait de -27,4 M€.
Projet Bubny	- Mise en vente, sur la période, de 636 000 m² sur un potentiel total de 1,1 million de m² - Le financement du projet par le Groupe s'élève à 254 M€ - En fin de période, la réserve de cash disponible s'établirait à 435 M€	Le risque principal du projet est lié à des retards potentiels dans la commercialisation. Le management a toutefois déjà envisagé une marge de sécurité dans la construction du business plan,

Section 2

Business plan 2010-2020 – Activité foncière

1. Synthèse
2. Business plan 2010-2020 – Activité foncière
3. Business plan 2010-2020 – Promotion immobilière / locaux professionnels
4. Business plan 2010-2020 – Promotion immobilière / secteur résidentiel
5. Business plan 2010-2020 – Bubny
6. Annexes

Business plan 2010-2020 – Activité foncière (1/4)

ORCO - BP 2010-2020 - Compte de résultat & flux de trésorerie - New business^(*) - Activité foncière

Données en M€	Σ 2010 à 2020 (11 années)	déc.-10	déc.-11	déc.-12	déc.-13	déc.-14	déc.-15	déc.-16	déc.-17	déc.-18	déc.-19	déc.-20
Loyers	598,4	1,2	11,1	29,0	47,8	62,7	69,4	75,7	80,6	79,1	74,1	67,7
Coûts d'exploitation/ maintenance	(149,6)	(0,3)	(2,8)	(7,2)	(11,9)	(15,7)	(17,3)	(18,9)	(20,1)	(19,8)	(18,5)	(16,9)
Plus-values de cessions	179,5					1,2	9,2	16,5	36,0	37,3	37,5	41,8
EBIT	628,3	0,9	8,3	21,7	35,8	48,2	61,3	73,3	96,4	96,7	93,1	92,6
Résultat financier	(249,9)	(0,7)	(6,0)	(14,7)	(22,9)	(28,1)	(29,4)	(31,2)	(33,0)	(31,4)	(28,1)	(24,6)
Impôt sur les sociétés	(52,6)				(0,5)	(1,4)	(3,6)	(5,5)	(9,7)	(10,2)	(10,4)	(11,3)
Résultat net	325,9	0,2	2,4	7,1	12,5	18,7	28,2	36,6	53,8	55,1	54,7	56,7
Acquisitions	(1 005,7)	(31,4)	(220,0)	(196,4)	(204,3)	(62,9)	(47,1)	(125,7)	(102,1)	(7,9)	(7,9)	
Rénovation/ grosses réparations	(23,0)	(0,1)	(0,6)	(1,6)	(2,6)	(3,3)	(3,0)	(2,7)	(2,5)	(2,5)	(2,3)	(1,8)
Cessions	343,7					2,8	21,9	36,6	75,4	71,0	65,2	70,8
Flux d'investissement	(685,0)	(31,5)	(220,6)	(198,0)	(206,9)	(63,4)	(28,3)	(91,8)	(29,2)	60,7	55,1	69,1
Financement Groupe	352,0	11,0	77,0	68,8	71,5	22,0	16,5	44,0	35,8	2,8	2,8	
Dettes levées	653,7	20,4	143,0	127,7	132,8	40,9	30,6	81,7	66,4	5,1	5,1	
Dettes remboursées	(303,6)		(0,3)	(2,7)	(4,9)	(9,0)	(22,7)	(33,2)	(61,0)	(58,4)	(54,0)	(57,4)
Flux de financement	702,1	31,4	219,7	193,7	199,4	53,9	24,4	92,5	41,1	(50,6)	(46,1)	(57,4)
Flux net de l'activité	343,0	0,2	1,4	2,7	5,0	9,2	24,4	37,2	65,7	65,2	63,6	68,4
Ouverture			0,2	1,6	4,3	9,3	18,5	42,9	80,1	145,8	211,0	274,6
Clôture	343,0	0,2	1,6	4,3	9,3	18,5	42,9	80,1	145,8	211,0	274,6	343,0

L'activité foncière consiste en l'acquisition de programmes immobiliers achevés et occupés à 75% en moyenne puis en la réduction de leur taux de vacance à 8% (taux d'occupation porté à 92%). Cette gestion dynamique est couplée à une rotation annuelle de 10% du patrimoine foncier.

La trésorerie est générée par :

- Les revenus locatifs qui ressortent à 598,4 M€ de 2010 à 2020,
- Les cessions de biens qui s'élèvent à 523,2 M€ en cumul de 2010 à 2020 (dont 179,5 M€ de plus-values).

A l'issue de la période couverte par les prévisions ci-dessus, le Groupe reste propriétaire du patrimoine non cédé dont la valeur nette doit tenir compte de la dette résiduelle sur ce patrimoine.

Afin de financer cette activité de 2010 à 2020, le Groupe prévoit d'injecter 352 M€

En fonction du levier de dette retenu (65% du total de l'investissement), le montant total investi ressortirait à 1057 M€ (965,5 M€ après frais) sur la période :

- Total des emprunts souscrits de 2010 à 2020 : 653,7 M€,
- Charges financières totales calculées sur la période : 249,9 M€.

Objectifs de rotation du patrimoine prudents qui amènent à fin 2020 à constater une valeur du patrimoine s'établissant à 577 M€ pour une dette de 350 M€. En appliquant le même taux de rentabilité que celui retenu à l'acquisition de ces actifs, la valeur de marché du patrimoine s'établirait à 796 M€.

Business plan 2010-2020 – Activité foncière (2/4)

Revue des principales hypothèses

Nature	Description succincte des hypothèses retenues	Opinion de Grant Thornton
Investissements Les investissements annuels sont fonction du montant de trésorerie alloué aux nouveaux projets.	- Avec un levier de dette de 65%, l'allocation de fonds propres pour 35 M€, par exemple, permet de lever 65 M€ d'emprunts et de réaliser des investissements pour 100 M€ : - Le montant net de ces investissements ressort toutefois à 96 M€ seulement après prise en compte de droits d'enregistrement à hauteur de 4%, - Le taux de rentabilité "cible" ressort à 8%, ce qui signifie que la valeur d'un bien sur le marché est déterminée par le rapport du montant annuel des loyers sur ce taux de rentabilité. - Outre l'investissement initial, des investissements d'amélioration sont prévus pour 23M€ sur la période 2010-2020 afin d'attirer de nouveaux locataires et, ainsi, de réduire le taux de vacance, ce qui est l'objectif principal du Groupe dans le cadre de l'"asset management" (gestion d'actifs).	- Le levier de dette retenu (65%) paraît conforme à celui observé sur les opérations de ce type déjà réalisées par le Groupe. - L'atteinte de ces objectifs par le management dépend largement de sa capacité à : - Trouver, sur le marché, des produits présentant une vacance moyenne de 75% et valorisés à hauteur de 12,5 fois (1/8%) le montant annuel des loyers bruts, - Parvenir à réduire la vacance de 25% à 8% en moyenne en trois ans, - Réussir à céder, après création de valeur (réduction de la vacance), les biens à des investisseurs prêts à payer un multiple de 12,9 fois le montant annuel des loyers (Yield de 7,75% contre 8% à l'achat).
Charges financières / remboursement de la dette - Le remboursement courant des emprunts émis (amortissement linéaire) ne porte que sur 50% de la dette, - Chaque cession donne lieu au remboursement anticipé de la dette correspondant à l'actif cédé.	- Le taux d'intérêt retenu par le management sur l'activité FONCIERE ressort à 6,5%, - Le management assure être en capacité de différer 50% du remboursement de chaque emprunt <i>in fine</i>, - La durée des emprunts retenue dans le modèle est de 30 ans.	- Le taux d'intérêt retenu ainsi que la durée des emprunts sont cohérents avec la nature de l'activité/ des biens concernés, - Le management confirme que les emprunts sont généralement remboursables <i>in fine</i>, - Remboursements anticipés calculés sur la bonne assiette : satisfaisant.

Les hypothèses de réduction de la vacance sont sensibles à la capacité du marché à occuper les surfaces concernées.

Business plan 2010-2020 – Activité foncière (3/4)

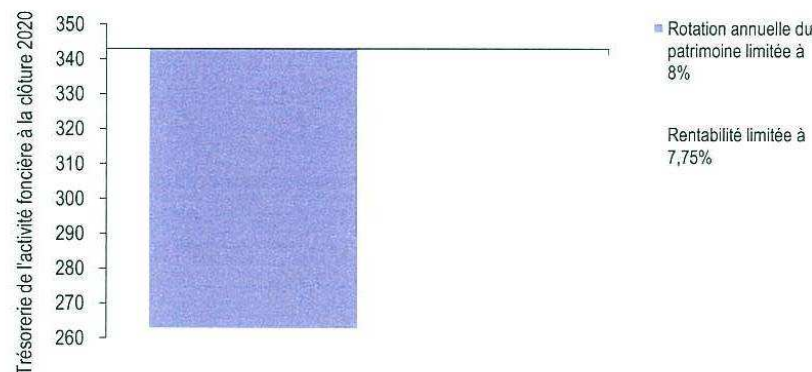
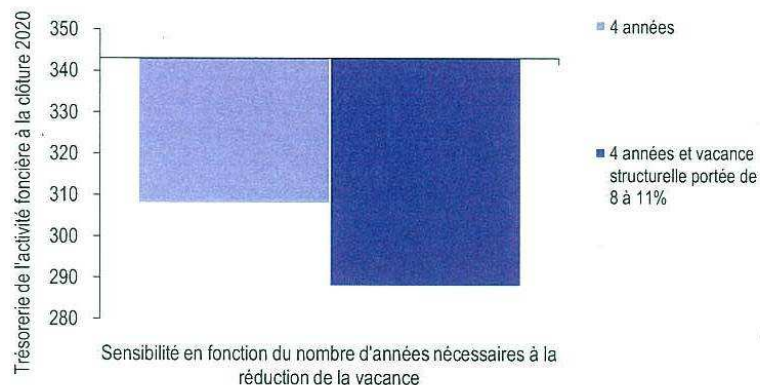
Revue des principales hypothèses

Nature	Description succincte des hypothèses retenues	Opinion de Grant Thornton
Loyers Les loyers sont fonction de la valeur des biens à partir de la 2^{ème} année de détention	- Les loyers perçus au titre d'un bien représentent 8% de la valeur du bien : - La première année de détention, ces loyers sont retenus pour 50% de leur valeur seulement (afin de tenir compte de la date moyenne d'acquisition des biens). - L'augmentation du montant des loyers pour un bien donné est déterminée en fonction de l'objectif de réduction de la vacance et du taux d'inflation (2%) retenu parmi les hypothèses.	La surface des biens donnés en location (dont dépendent les loyers dans le modèle) est déterminée en fonction de la combinaison d'un profil unique de rotation du patrimoine appliqué à chaque millésime et d'un facteur de rotation commun dépendant de la période (10% chaque année jusqu'en 2016 puis 15% à compter de 2017). Les surfaces cédées chaque année sont également fonction de cette combinaison : hypothèse satisfaisant.
Coûts d'exploitation / maintenance	Les loyers sont affectés de coûts d'exploitation/ coûts fonctionnels à hauteur de 25% de leur montant brut.	Hypothèse prudente en fonction des données historiques disponibles sur d'autres projets conduits par le Groupe.
Plus-values sur cessions de biens	Les plus-values sur cessions de biens sont égales à la différence entre le prix de cession et le prix de revient net des amortissements pratiqués.	Les plus-values soumises à l'impôt sur les sociétés sont correctement estimées.
Impôt sur les sociétés	- L'impôt sur les sociétés est calculé sur la base d'un taux de 20%, - L'assiette de calcul de l'impôt intègre : - Le résultat d'exploitation y compris les dotations aux amortissement des biens, - Le résultat financier et les plus-values de cessions d'actifs.	Les flux liés à l'impôt sur les sociétés sont cohérents avec les montants attendus.

Sous réserve de la sensibilité des hypothèses retenues par le management et de leur correcte réalisation en fonction des aléas du marché, les flux de trésorerie ont correctement été déterminés dans le modèle de Business Plan de l'Activité foncière.

Business plan 2010-2020 – Activité foncière (4/4)

Tests de sensibilité



Les tests ci-dessus montrent quel serait l'impact sur la trésorerie de l'activité si le nombre d'années nécessaires à la réduction de la vacance était porté à 4 contre 3 années dans les hypothèse du management :

- Dans le premier test, seule la variation de cette hypothèse est retenue : ce test conduit à constater une dégradation de la trésorerie à la clôture 2020 de -35,2 M€ comparé à celle prévue par le management (343 M€),
- Dans le deuxième test, la variation de cette hypothèse est combinée à une plus faible rotation du patrimoine (8%) que celle prévue par le management (10%) : ce deuxième test conduit à constater une dégradation de la trésorerie à la clôture 2020 de -55,14 M€ comparé aux prévisions du management.

Deux tests de sensibilité ci-dessus montrent :

- Quel serait l'impact sur la trésorerie de l'activité si la rotation du patrimoine était limitée à 8% par an (contre 10% dans le modèle sauf 15% en 2020) :
 - Cet impact serait de -80,3 M€ par rapport aux prévisions du management,
 - En contrepartie, toutefois, la valeur du patrimoine serait supérieure du fait de la présence d'immeubles non matures à céder ultérieurement,
- Quel serait l'impact sur la trésorerie de l'activité si la rentabilité attendue des biens était limitée à 7,75% (à l'achat comme à la vente) : -10,5 M€ par rapport aux prévisions du management.

Forte sensibilité de la trésorerie aux hypothèses temporelles et aux hypothèses de marché retenues par le management.

Section 3

Business plan 2010-2020 – Promotion immobilière / locaux professionnels

1. Synthèse
2. Business plan 2010-2020 – Activité foncière
3. Business plan 2010-2020 – Promotion immobilière / locaux professionnels
4. Business plan 2010-2020 – Promotion immobilière / secteur résidentiel
5. Business plan 2010-2020 – Bubny
6. Annexes

Business plan 2010-2020 – Promotion immobilière / locaux professionnels (1/3)

ORCO - BP 2010-2020 - Compte de résultat & flux de trésorerie - New business^(*) - Promotion immobilière locaux professionnels

Données en M€	Σ 2010 à 2020 (11 années)	déc.-10	déc.-11	déc.-12	déc.-13	déc.-14	déc.-15	déc.-16	déc.-17	déc.-18	déc.-19	déc.-20
Ventes de biens	182,0		5,7	39,8	35,5	37,0	11,4	8,5	22,8	18,5	1,4	1,4
Coûts d'achat	(142,2)		(4,4)	(31,1)	(27,8)	(28,9)	(8,9)	(6,7)	(17,8)	(14,4)	(1,1)	(1,1)
Coûts d'exploitation	(3,6)	(0,1)	(0,8)	(0,7)	(0,7)	(0,2)	(0,2)	(0,5)	(0,4)	(0,0)	(0,0)	
EBIT	36,1	(0,1)	0,4	8,0	7,0	7,9	2,3	1,4	4,6	4,0	0,3	0,3
Résultat financier	(5,9)		(0,2)	(1,3)	(1,1)	(1,2)	(0,4)	(0,3)	(0,7)	(0,6)	(0,0)	(0,0)
Impôt sur les sociétés	(7,4)		(0,2)	(1,6)	(1,4)	(1,6)	(0,5)	(0,3)	(0,9)	(0,8)	(0,1)	(0,1)
Résultat net	22,9	(0,1)	0,1	5,1	4,5	5,1	1,5	0,9	2,9	2,6	0,2	0,2
Coûts d'achat (non cash)	142,2		4,4	31,1	27,8	28,9	8,9	6,7	17,8	14,4	1,1	1,1
Achats (de la période)	(142,2)	(4,4)	(31,1)	(27,8)	(28,9)	(8,9)	(6,7)	(17,8)	(14,4)	(1,1)	(1,1)	
Flux d'exploitation		(4,4)	(26,7)	3,3	(1,1)	20,0	2,2	(11,1)	3,3	13,3		1,1
Financement Groupe	64,0	2,0	14,0	12,5	13,0	4,0	3,0	8,0	6,5	0,5	0,5	
Dettes levées	78,2	2,4	17,1	15,3	15,9	4,9	3,7	9,8	7,9	0,6	0,6	
Remboursements	(78,2)		(2,4)	(17,1)	(15,3)	(15,9)	(4,9)	(3,7)	(9,8)	(7,9)	(0,6)	(0,6)
Flux de financement	64,0	4,4	28,7	10,7	13,6	(7,0)	1,8	14,1	4,7	(6,8)	0,5	(0,6)
Flux net de l'activité	86,9	(0,1)	2,1	19,1	17,0	18,1	5,5	3,9	10,9	9,1	0,7	0,7
Ouverture			(0,1)	1,9	21,1	38,0	56,1	61,6	65,5	76,4	85,5	86,2
Clôture	86,9	(0,1)	1,9	21,1	38,0	56,1	61,6	65,5	76,4	85,5	86,2	86,9

L'activité promotion immobilière – locaux professionnels consiste en la réalisation de projets immobiliers de types bureaux, locaux industriels ou commerciaux en 12 mois cédés à l'issue de 6 mois de mise en location :

- Par prudence, aucun revenu de location n'a été envisagé au titre de la période de location de 6 mois,
- Le coût de revient des biens cédés est déterminé par le rapport entre leur rentabilité effective et leur rentabilité attendue par les investisseurs potentiels,
- En fonction du paramètre précité, la marge réalisée sur les projets est estimée à 21,9%.

Le financement de cette activité nécessite 64 M€ de capitaux propres sur la période 2010-2020

En fonction du levier de dette retenu (55% des coûts de réalisation), le montant total d'investissements ressortirait à 142,2 M€ sur la période :

- Total des emprunts souscrits de 2010 à 2020 : 78,2 M€,
- Charges financières totales calculées sur la période : 5,9 M€.

Absence de prise en compte de revenus locatifs : hypothèse prudente

Les flux de trésorerie dégagés dans le modèle dépendront de la capacité du management à réaliser et céder les projets envisagés dans les délais retenus.

Business plan 2010-2020 – Promotion immobilière / locaux professionnels (2/3)

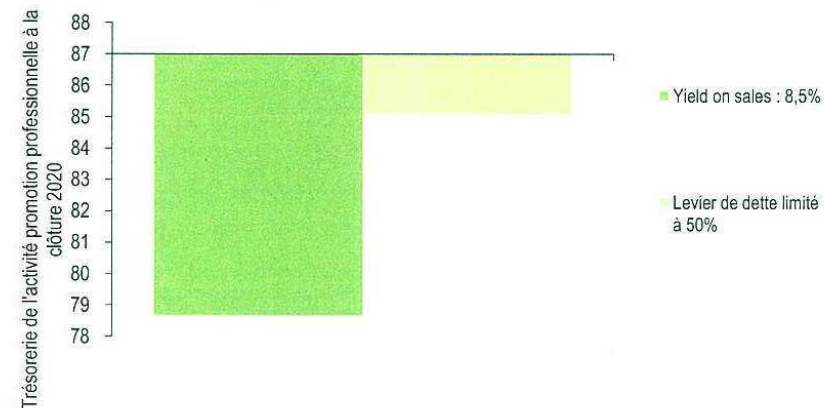
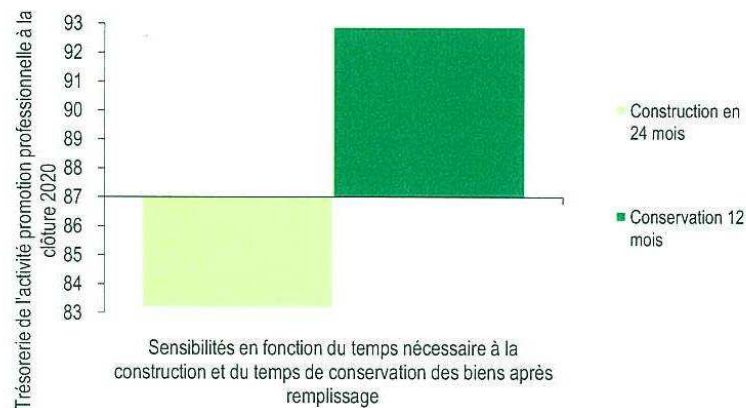
Revue des principales hypothèses

Nature	Description succincte des hypothèses retenues	Opinion de Grant Thornton
Ventes de biens et prix de revient Les biens construits en 12 mois sont cédés après 6 mois de mise en location	- Les prix de cession des biens sont estimés en fonction de leur coût de revient et des loyers qu'ils peuvent générer : - Le coût de revient correspond au montant de l'investissement (fonds propres + dette), - Le prix de cession est calibré pour offrir à l'investisseur une rentabilité de 8% (alors que les biens ont une rentabilité sur prix de revient pour le Groupe de 10,5%).	- La valeur créée résulte du différentiel entre la rentabilité attendue par un investisseur classique (8%) et la rentabilité effective des biens après 6 mois de mise en location (10,5%) : - L'atteinte de cet objectif dépendra de la capacité du management à mettre en location en 6 mois la totalité des surfaces des projets réalisés, c'est-à-dire à proposer aux investisseurs des biens totalement occupés.
Coûts d'exploitation/ commercialisation Des coûts de mise en location des biens sont intégrés au modèle	En année N, ces coûts sont égaux à 2% du prix de vente des biens calculé au titre de l'année N+2.	Pas de remarque sur cet élément.
Charges financières / remboursement de la dette - Le taux d'intérêt retenu ressort à 7,5% - Les emprunts contractés sont remboursés dès la cession des biens qu'ils ont financés	- Le taux d'intérêt retenu ressort à 7,5%, - Les emprunts contractés sont remboursés dès la cession des biens qu'ils ont financé.	Pas de remarque sur ces éléments.
Impôt sur les sociétés	Le taux d'impôt retenu ressort à 20%.	Pas de remarque sur cet élément.

La méthode de modélisation mise en œuvre est cohérente et conforme à celle attendue pour ce type d'activité.

Business plan 2010-2020 – Promotion immobilière / locaux professionnels (3/3)

Tests de sensibilité



Le management a retenu une hypothèse de durée de construction de 12 mois et une durée de conservation des programmes après remplissage nulle. Les tests ci-dessus montrent quel serait l'impact sur la trésorerie de l'activité si le nombre de mois nécessaires à la construction était supérieur (24 mois – Test 1) ou si le nombre de mois de conservation post-remplissage des programmes était supérieur (12 mois – Test 2) :

- Si la durée de construction était portée à 24 mois (contre 12 dans le modèle), la trésorerie pourrait ressortir inférieure de -3,7 M€ à celle prévue par le management, soit 83,2 versus 86,9 M€,
- Si la durée de conservation des biens post-remplissage des programmes était portée à 12 mois (contre 0 dans le modèle), la trésorerie pourrait ressortir supérieure de 6 M€ à celle prévue par le management (effet des loyers perçus sur la période post-remplissage), soit 92,9 M€ versus 86,9 M€.

Les deux tests ci-dessus montrent quelle serait la trésorerie si :

- La rentabilité attendue par les investisseurs (lors de la cession des biens) était portée à 8,5% : la trésorerie pourrait ressortir inférieure de -8,2 M€ à celle prévue par le management, soit 78,7 M€ versus 86,9 M€,
- Le levier de dette (55% dans le modèle) était limité à 50% : la trésorerie pourrait ressortir inférieure de -1,8 M€ à celle prévue par le management.

La trésorerie est particulièrement sensible à la rentabilité attendue par les cessionnaires des programmes dont la construction est envisagée.

Section 4

Business plan 2010-2020 – Promotion immobilière / secteur résidentiel

1. Synthèse
2. Business plan 2010-2020 – Activité foncière
3. Business plan 2010-2020 – Promotion immobilière / locaux professionnels
- 4. Business plan 2010-2020 – Promotion immobilière / secteur résidentiel**
5. Business plan 2010-2020 – Bubny
6. Annexes

Business plan 2010-2020 – Promotion immobilière / secteur résidentiel (1/5)

ORCO - BP 2010-2020 - Flux de trésorerie - New business^(*) - Promotion immobilière secteur résidentiel

Données en M€	Σ 2010 à 2020 (11 années)	déc.-10	déc.-11	déc.-12	déc.-13	déc.-14	déc.-15	déc.-16	déc.-17	déc.-18	déc.-19	déc.-20
Ventes	492,0	0,4	1,2	19,0	35,8	93,9	81,6	86,2	68,2	24,8	22,1	58,8
Biens constructibles	59,1	0,4	1,1	17,0	28,2	12,4						
Biens non encore constructibles	210,6		0,1	2,0	7,1	80,1	59,1	48,3	11,1	2,8		
Biens non détenus	222,3				0,5	1,4	22,5	37,9	57,1	22,1	22,1	58,8
Achats (de la période)	(417,6)	(14,0)	(79,4)	(59,7)	(53,1)	(36,3)	(30,9)	(29,8)	(35,4)	(32,2)	(25,9)	(20,9)
Biens constructibles	(39,6)	(11,2)	(19,6)	(8,8)								
Biens non encore constructibles	(152,3)	(2,8)	(58,8)	(43,8)	(36,4)	(8,4)	(2,1)					
Biens non détenus	(225,8)		(1,0)	(7,2)	(16,7)	(27,9)	(28,8)	(29,8)	(35,4)	(32,2)	(25,9)	(20,9)
Coûts de commercialisation	(19,7)	(0,0)	(0,0)	(0,8)	(1,4)	(3,8)	(3,3)	(3,4)	(2,7)	(1,0)	(0,9)	(2,4)
Impôt sur les Sociétés	(8,3)			(0,4)	(0,8)	(1,2)	(1,1)	(1,3)	(1,3)	(0,5)	(0,4)	(1,2)
Flux d'exploitation	46,4	(13,6)	(78,2)	(42,0)	(19,5)	52,7	46,3	51,6	28,7	(8,8)	(5,2)	34,3
Financement Groupe	224,0	7,0	49,0	43,8	45,5	14,0	10,5	28,0	22,8	1,8	1,8	
Dettes levées	199,2	7,0	39,6	29,1	25,2	16,2	14,7	14,1	15,6	14,5	12,8	10,3
Biens constructibles	19,8	5,6	9,8	4,4								
Biens non encore constructibles	76,1	1,4	29,4	21,9	18,2	4,2	1,1					
Biens non détenus	103,3		0,4	2,8	7,0	12,0	13,7	14,1	15,6	14,5	12,8	10,3
Remboursements emprunts	(227,4)	(0,2)	(0,5)	(8,8)	(16,5)	(43,4)	(37,7)	(39,8)	(31,5)	(11,5)	(10,2)	(27,2)
Flux de financement	195,8	13,8	88,1	64,1	54,1	(13,2)	(12,5)	2,2	6,9	4,8	4,4	(16,9)
Flux net de l'activité	242,2	0,2	9,8	22,1	34,6	39,5	33,8	53,8	35,6	(4,0)	(0,8)	17,5
Ouverture			0,2	10,0	32,1	66,8	106,3	140,1	193,9	229,5	225,5	224,7
Clôture	242,2	0,2	10,0	32,1	66,8	106,3	140,1	193,9	229,5	225,5	224,7	242,2

L'activité consiste à réaliser des projets immobiliers destinés à être vendus à des particuliers éventuellement en VEFA (Vente en Etat Futur d'Achèvement)

Les projets sont implantés sur trois types de terrains :

- Terrains détenus et constructibles,
- Terrains détenus mais non encore constructibles,
- Terrains non encore détenus (à acquérir).

Afin de financer cette activité de 2010 à 2020, le Groupe prévoit d'injecter 224 M€

En fonction du levier de dette retenu (50% des coûts de réalisation), le montant total d'investissements ressortirait à 417,6 M€ sur la période.

Les délais de réalisation des projets sont distincts pour chaque type d'opération (en fonction du fait que les terrains soient déjà constructibles ou non et qu'ils aient été déjà acquis ou non) : hypothèse prudente

Business plan 2010-2020 – Promotion immobilière / Secteur résidentiel (2/5)

Revue des principales hypothèses – Terrains constructibles dits "Zoned Land Bank"

Nature	Description succincte des hypothèses retenues	Opinion de Grant Thornton
Investissements Le montant des investissements dépend du levier de dette et de la trésorerie allouée à cette sous-activité	- Levier de dette : 50% - Le management entend allouer, en 2010, 80% de la trésorerie réservée à l'activité "Promotion résidentielle" à la sous-activité "Zoned Land Bank" correspondant à des programmes immobiliers à réaliser sur des terrains dont le Groupe est déjà propriétaire : - Ce taux d'allocation serait porté à 20% en 2011 puis 10% en 2012 pour devenir nul sur les années suivantes.	- Le levier de dette retenu est conforme à celui qui est généralement observé pour cette nature d'opération, - Pas d'autre commentaire de notre part à ce titre.
Ventes des biens Les cessions de biens sont réalisées à l'issue d'une période de 24 mois suivant le démarrage des investissements	- Le prix de vente des biens est : - Fonction du taux de marge attendu par rapport au montant de l'investissement : 37,5% du prix de vente sur cette catégorie de biens, - Impacté d'une taxe payée par le vendeur, soit 3% du prix brut. - Les ventes de biens sont réalisées en VEFA (Vente en Etat Futur d'Achèvement), ce système permettant de percevoir de la trésorerie dès le démarrage de chaque programme : - En contrepartie, des discounts sont accordés aux cessionnaires : - Ils sont égaux à 10% puis 5% du prix sur, respectivement, la première puis la deuxième tranche en prévente (représentant chacune 25% du programme en surface).	- Les hypothèses retenues par le management paraissent raisonnables en fonction de l'expérience du Groupe sur ce type de marché, - Nous ne pouvons cependant nous assurer que le Groupe sera capable d'assurer le niveau de marge retenu dans le modèle.

Sensibilité importante de la trésorerie au taux de marge attendu.

Business plan 2010-2020 – Promotion immobilière / Secteur résidentiel (3/5)

Revue des principales hypothèses – Terrains non constructibles dits "Unzoned Land Bank"

Nature	Description succincte des hypothèses retenues	Opinion de Grant Thornton
Investissements Cf. page précédente.	- Ici, le Groupe a choisi d'allouer une part significative de la trésorerie affectée à la promotion résidentielle de 2011 à 2014 (taux d'allocation variable de 30 à 60% selon la période) - Aucune ressource n'est allouée à ce segment à partir de 2016	Pas de remarque de notre part.
Ventes de biens Les cessions de biens sont réalisées à l'issue d'une période de 36 mois suivant le démarrage des investissements compte tenu du temps nécessaire au traitement des aspects administratifs des projets (POS, PC).	Le taux de marge brute retenu est limité à 32,5%.	Pas de commentaire sur ce taux de marge qui constitue une hypothèse raisonnable selon le management.
Charges financières / remboursement de la dette Le taux d'intérêt retenu, quelle que soit la sous-activité, est de 7,5%.	Les remboursements de crédits-construction sont réalisés au fur et à mesure des ventes et constituent environ 46% des montants encaissés de la part des cessionnaires.	- Hypothèse de taux prudente en fonction de la nature des risques assumés par les prêteurs et des conditions actuelles du marché bancaire. - Calcul des remboursements de dettes satisfaisant.

L'atteinte des objectifs du management dépend largement de sa capacité à obtenir les autorisations administratives nécessaires au lancement des projets (mise en place de plans d'occupation des sols, obtention de permis de construire, etc.) dans les délais retenus dans le modèle.

Business plan 2010-2020 – Promotion immobilière / Secteur résidentiel (4/5)

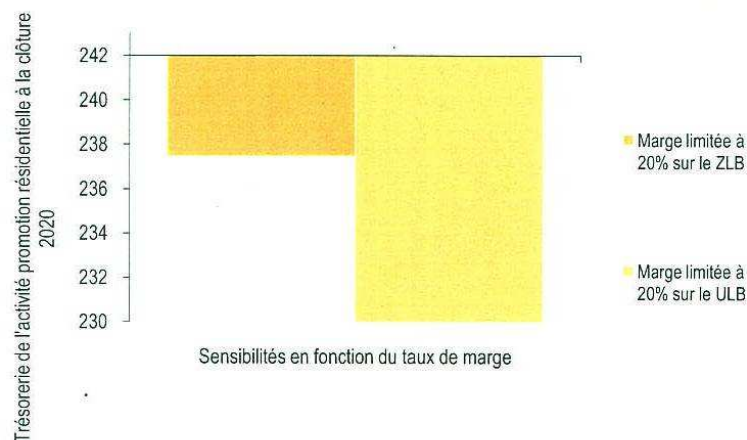
Revue des principales hypothèses – Terrains non encore détenus dits "New Land Bank"

Nature	Description succincte des hypothèses retenues	Opinion de Grant Thornton
Investissements Cf. deux pages précédentes.	Ici, le Groupe a choisi d'allouer une part significative de la trésorerie affectée à la promotion résidentielle à partir de 2013 (taux d'allocation de 60%). A partir de 2016, la totalité de la trésorerie affectée à la promotion résidentielle est réservée à cette sous-activité.	Pas de commentaire de notre part.
Ventes de biens Les cessions de biens sont réalisées à l'issue d'une période de 48 mois suivant le démarrage des investissements compte tenu des aspects commerciaux (recherche d'espaces) et du traitement administratif des projets.	Le taux de marge brute retenu est limité à 20% compte tenu du coût de développement des projets.	Hypothèse raisonnable en fonction de la situation des projets dans la typologie développée par le management (terrains non encore détenus, en l'occurrence).
Coûts de commercialisation Toutes les ventes du segment de la promotion résidentielle sont impactés de coûts de commercialisation.	4% du prix de vente net.	Pas de commentaire de notre part sur cette hypothèse qui semble satisfaisante.
Impôt sur les sociétés	Le taux d'impôt retenu pour la promotion résidentielle est identique à celui retenu pour les autres activités, soit 20%.	Hypothèse satisfaisante.

La trésorerie attendue est sensible à la capacité du Groupe à réaliser des projets à forte valeur ajoutée (en fonction de la qualité des espaces acquis à rendre "constructibles").

Business plan 2010-2020 – Promotion immobilière / Secteur résidentiel (5/5)

Tests de sensibilité

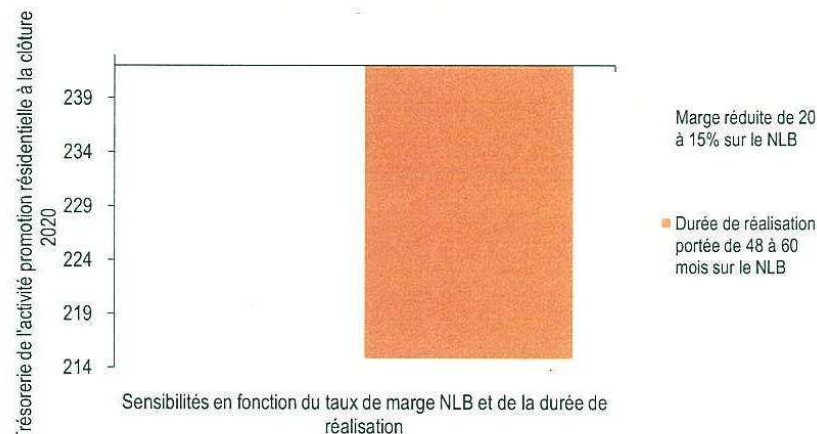


Le management a retenu une hypothèse de taux de marge brute de 37,5% concernant les biens à construire sur les terrains dont le Groupe est déjà propriétaire :

- Si ce taux était limité à 20%, la trésorerie de l'activité pourrait ressortir inférieure de -4,7 M€ aux prévisions du management, soit 237,5 M€ versus 242,2 M€.

De même, le management a retenu une hypothèse de taux de marge brute de 32,5% concernant les biens à construire sur les terrains dont le Groupe est propriétaire mais qui ne sont pas encore constructibles (plan d'occupation des sols, etc.) :

- Si ce taux était limité à 20%, la trésorerie de l'activité pourrait ressortir inférieure de -12,2 M€ aux prévisions du management, soit 230 M€ versus 242,2 M€.



Programmes à réaliser sur des terrains dont le Groupe n'est pas encore propriétaire :

- Si la marge sur ces programmes était réduite de 20 à 15%, la trésorerie pourrait ressortir inférieure de -4 M€ par rapport aux prévisions du management,
- Si la durée de réalisation de ces programmes était portée de 48 à 60 mois, la trésorerie pourrait ressortir inférieure de 27,4 M€ à la clôture 2020.

Forte sensibilité de la trésorerie aux durées de réalisation des programmes retenues par le Management.

Section 5

Business plan 2010-2020 – Bubny

1. Synthèse
2. Business plan 2010-2020 – Activité foncière
3. Business plan 2010-2020 – Promotion immobilière / locaux professionnels
4. Business plan 2010-2020 – Promotion immobilière / secteur résidentiel
5. Business plan 2010-2020 – Bubny
6. Annexes

Business plan 2010-2020 – Bubny (1/2)

ORCO - BP 2010-2020 - Flux de trésorerie - New business^(*) - Bubny

Données en M€	Σ 2010 à 2020 (11 années)	déc.-10	déc.-11	déc.-12	déc.-13	déc.-14	déc.-15	déc.-16	déc.-17	déc.-18	déc.-19	déc.-20
Promotion immobilière locaux professionnels												
Revenus de promotion	112,4				1,7		21,5	2,2	23,3	29,6	31,9	2,2
Charges d'exploitation	(9,7)	(0,9)	(0,9)	(0,1)	(0,5)	(0,9)	(2,7)	(1,1)	(1,1)	(0,7)	(0,4)	(0,4)
Flux d'exploitation	102,7	(0,9)	(0,9)	(0,1)	1,2	(0,9)	18,8	1,1	22,1	28,9	31,5	1,8
Flux d'investissement	(105,2)				(14,3)		(14,3)	(19,1)	(19,1)		(19,1)	(19,1)
Financement Groupe	72,7				9,9		9,9	13,2	13,2		13,2	13,2
Emprunts émis	49,9				6,8		6,8	9,1	9,1		9,1	9,1
Emprunts remboursés	(35,8)		(4,0)				(6,8)		(6,8)	(9,1)	(9,1)	
Intérêts	(3,7)				(0,5)		(0,5)	(0,7)	(0,7)		(0,7)	(0,7)
Flux de financement	83,1		(4,0)		16,2		9,4	21,6	14,8	(9,1)	12,5	21,6
Flux net "locaux professionnels"	80,6	(0,9)	(4,9)	(0,1)	3,0	(0,9)	13,9	3,6	17,8	19,9	24,9	4,3
Promotion immobilière secteur résidentiel												
Revenus de promotion	492,3		30,2		3,2	6,8	20,1	69,9	96,7	66,7	96,8	101,8
Charges d'exploitation	(56,4)	(5,1)	(5,1)	(0,7)	(3,0)	(5,3)	(15,5)	(6,5)	(6,5)	(4,0)	(2,4)	(2,4)
Flux d'exploitation	435,9	(5,1)	25,2	(0,7)	0,2	1,5	4,6	63,4	90,2	62,6	94,4	99,5
Flux d'investissement	(247,8)		(0,6)	(4,9)	(7,6)	(7,6)	(57,1)	(44,6)	(44,6)	(43,7)	(37,3)	
Financement Groupe	181,5		15,4	11,6	9,2	10,9	20,0	37,0	32,0	19,1	23,0	3,3
Emprunts émis	154,8						48,0	23,2	23,2	37,3	23,2	
Emprunts remboursés	(154,9)		(23,2)					(24,5)	(23,5)	(23,2)	(37,0)	(23,5)
Intérêts	(14,3)						(4,3)	(2,2)	(2,2)	(3,5)	(2,2)	
Flux de financement	167,1		(7,8)	11,6	9,2	10,9	63,7	33,5	29,5	29,8	7,0	(20,2)
Flux net "locaux professionnels"	355,2	(5,1)	16,8	6,0	1,9	4,8	11,3	52,2	75,0	48,8	64,1	79,3
Flux net "Bubny"	435,8	(5,9)	11,9	5,9	4,9	3,9	25,2	55,8	92,9	68,7	89,0	83,6
Ouverture			(5,9)	5,9	11,8	16,8	20,7	45,9	101,7	194,6	263,2	352,2
Clôture	435,8	(5,9)	5,9	11,8	16,8	20,7	45,9	101,7	194,6	263,2	352,2	435,8

Projet important prévoyant la mise en vente / location de 636 000 m² au centre de Prague sur la période 2010-2020.
Le projet générerait 436 M€ de trésorerie à fin 2020, dont 181 M€ de financement apporté par le Groupe.

Business plan 2010-2020 – Bubny (2/2)

Orco - Principales hypothèses sur Bubny

	Résid.	Bureaux	JV retail	JV bureaux	Université	NEC	Terrains bureaux	Hôtel
NFSA/GEFA	75,0%	90,0%	45,0%	90,0%				
Prix de vente	2500€/m²				50€/m²	182€/m²	300€/m²	200€/m²
NFSA loyer / m²		16€/mois	40€/mois	16€/mois				
Yield		7,0%	7,3%	7,3%				
Financement propre	58,0%	43,0%	42,0%	43,0%				
Coûts de construction hors terrain	1500€/m²	1800€/m²	2500€/m²	1800€/m²				
Nb de m² vendus / loués	93 500	92 000	127 542	78 670	68 006	55 600	113 840	6 881

Calendrier prévisionnel de cession/location

(m²)	Surfaces nettes				Total surfaces nettes	Surfaces brutes				Total surfaces brutes
	Résidentiel	Bureaux	JV retail	JV bureaux		Université	NEC	Terrains bureaux	Hôtel	
2 010	-	-	-	-	-	-	-	-	-	-
2 011	-	-	14 348	12 526	26 874	-	55 600	-	-	55 600
2 012	-	-	14 348	12 526	26 874	-	-	-	-	-
2 013	9 563	-	-	20 700	30 263	-	-	-	-	-
2 014	-	-	-	-	-	-	-	22 768	-	22 768
2 015	9 563	-	14 348	12 526	36 437	-	-	-	-	-
2 016	-	20 700	14 348	12 526	47 574	-	-	22 768	-	22 768
2 017	12 750	20 700	-	-	33 450	34 003	-	-	-	34 003
2 018	12 750	-	-	-	12 750	34 003	-	22 768	6 881	63 652
2 019	12 750	20 700	-	-	33 450	-	-	22 768	-	22 768
2 020	12 750	20 700	-	-	33 450	-	-	22 768	-	22 768
Total	70 125	82 800	57 394	70 803	281 122	68 006	55 600	113 840	6 881	244 327

Un projet comprenant de multiples activités

A ce jour, le Groupe est propriétaire du terrain et prévoit d'y réaliser :

- De la promotion immobilière dans le cadre du secteur résidentiel,
- De la promotion immobilière dans le cadre de locaux professionnels,
- Des opérations de promotions immobilières avec un partenaire à 50/50 (Joint venture),
- La cession d'une partie du terrain pour la construction d'une Université, de bureaux, d'hôtel.

Les principales hypothèses sous-jacentes au business plan sont détaillées dans le tableau ci-contre,

- Elles correspondent à la meilleure estimation du management,
- Compte tenu de l'ampleur du projet, nous n'avons pas de comparable permettant de les confirmer ou infirmer,
- Il est à signaler que par souci de simplification du modèle, les intérêts bancaires ont été calculés au taux de 7,5% et décaissés l'année de réalisation des travaux.

Un calendrier de cession / mise en location réparti sur l'ensemble de la période et commençant en 2011

Il a été établi par le "project manager" en charge de ce projet :

- Les années précisées dans le tableau ci-contre sont celles des mises en chantier et non de livraison (qui s'échelonnent entre 12 et 18 mois pour les projets résidentiels et petits projets et entre 36 et 48 mois pour les joint-ventures et projets plus importants),
- La réalisation de ces prévisions dépendra de la capacité du Groupe à céder ou louer ces surfaces dans des délais conformes à ces hypothèses.

Des hypothèses homogènes par type de développement, prises par le management en fonction d'un calendrier prévisionnel d'avancement des travaux.

Section 6

Annexes

1. Synthèse
2. Business plan 2010-2020 – Activité foncière
3. Business plan 2010-2020 – Promotion immobilière / locaux professionnels
4. Business plan 2010-2020 – Promotion immobilière / secteur résidentiel
5. Business plan 2010-2020 – Bubny
6. Annexes

A. Lettre de mission

B. Lettre d'affirmation

A. Lettre de mission

Monsieur Nicolas Tommasini
ORCO PROPERTY GROUP SA
40, Parc d'Activités Capellen
L-8308 Capellen
Luxembourg

Grant Thornton
100 rue de Courcelles
75849 Paris cedex 17
France

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Paris, le 1^{er} décembre 2009

Groupe ORCO

Confidentiel

Monsieur,

Vous nous avez consultés en vue d'effectuer une du business plan 2010-2020, tant en termes d'activité que de prévisions de trésorerie.

Nous vous remercions de cette marque de confiance et vous prions de trouver ci-après notre proposition d'intervention.

1 Contexte et définition de la mission d'assistance

Le groupe ORCO est actuellement engagé dans un processus de réalisation de business plan pour la période 2010-2020 dans le cadre de négociation de sa dette. Le processus devrait prendre fin en janvier par la par la présentation au Tribunal du plan de sauvegarde. La réalisation du business plan aura des objectifs multiples :

- Inscrire le groupe dans un cadre budgétaire lui permettant de contrôler ses coûts et ses développements,
- Communiquer aux actionnaires les perspectives à court, moyen et long terme,
- Dans le cadre de la procédure de sauvegarde actuellement en cours, communiquer à Maître Le Guernevé les éléments permettant de présenter un plan de sauvegarde,
- De donner à vos commissaires aux comptes les éléments d'appréciation des évolutions du Groupe dans le cadre de l'émission de leur opinion.

A votre demande et celle de Me Le Guernevé, notre analyse portera uniquement sur la construction du modèle et les hypothèses relatives aux nouveaux projets.

Nous ne réaliserons aucune diligence sur les cash-flows prévisionnels issus des projets existants et dont le surplus vient financer pour partie la réalisation des nouveaux projets.

L'ensemble de ces diligences, détaillées en **annexe 2** sont résumées ci-après :

- Prise de connaissance des hypothèses de construction sur les nouveaux projets et revue de la construction du budget (cohérence, modèle),
- Prise de connaissance des hypothèses de construction sur le projet BUBNY et appréciation de la construction du modèle,
- Contrôle de la construction du modèle de cash-flows prévisionnels consolidés.

Nos diligences, telles que décrites dans la présente lettre de mission, seront conduites conformément aux normes d'intervention définies en **annexe 1**.

2 Conditions générales d'intervention

Les conditions générales d'intervention figurent en **annexe 1** à la présente lettre de mission. Nous attirons votre attention sur le fait que l'indemnisation susceptible d'être due en cas de mise en jeu de la responsabilité de notre cabinet, dans le cadre de cette mission, est plafonnée à une (3) fois le montant des honoraires hors taxes, frais et débours, effectivement perçus au titre de la présente mission.

3 Rapport et délai d'intervention

3.1 Rapport

Une synthèse de nos constatations et analyses sera établie à votre attention et pourra être communiquée dans le cadre du suivi de la procédure de sauvegarde ainsi qu'à vos commissaires aux comptes. Elle sera rédigée en français et couvrira les aspects présentés en **annexe 2** de cette lettre de mission.

3.2 Délai d'intervention

Nous vous tiendrons régulièrement informés de nos travaux et de nos conclusions intermédiaires. Nous vous communiquerons les premières conclusions intermédiaires sur la construction du business plan relatif aux nouveaux projets au cours de la semaine du 7 décembre 2009 si nous pouvons débiter notre intervention le 2 décembre.

Notre rapport définitif vous sera communiqué au cours de la semaine du 17 décembre 2009.

4 Affirmation des dirigeants

Nos constatations et conclusions sont fondées sur les documents et informations qui nous sont communiqués par les dirigeants, le personnel et les conseils de l'entreprise, sans qu'il

soit possible de procéder aux contrôles qui permettraient d'en garantir l'exactitude et l'exhaustivité.

En conséquence, nous demanderons aux dirigeants, seuls responsables des états financiers et du business plan, de nous communiquer une lettre, dite d'affirmation, dans laquelle ils nous garantiront l'exactitude, la pertinence et l'exhaustivité des informations transmises pour le bon accomplissement de notre mission. Cette confirmation sera matérialisée au travers d'une lettre dite « d'affirmation » dont l'obtention constitue un élément essentiel sur lequel se fondent nos conclusions.

5 Équipe d'intervention

L'équipe qui interviendra pour mener à bien les travaux évoqués ci-avant assurera l'organisation et la supervision de la mission.

La mission sera réalisée par les équipes du cabinet Grant Thornton, sous la responsabilité de Marc Claverie, Associé Expert-comptable.

Marc Claverie	Associé, Expert-comptable
Cyril Sultan	Directeur de Mission, Expert-Comptable
Pascal Pellaudin	Manager

Cette équipe interviendra dans le plus strict respect de confidentialité du dossier.

6 Honoraires

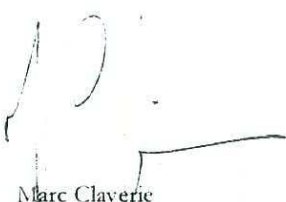
L'estimation de notre budget d'honoraires hors taxes et frais de déplacement et de chancellerie figure en **annexe 3** de cette lettre de mission.

Ce budget d'intervention prend en compte une participation active des équipes comptables et financières de la société.

Nous sommes à votre disposition pour tout complément d'information et vous prions de croire,

Monsieur, en l'expression de nos salutations distinguées.

Grant Thornton
Membre français de Grant Thornton International



Marc Clavier
Associé
Expert-Comptable

Thierry Dartus
Associé
Expert-Comptable



Lu et approuvé,
pour ORCO

Annexe 1 - Conditions Générales d'Intervention

1 Préambule

Les présentes Conditions Générales d'Intervention font partie intégrante de la lettre de mission.

2 Normes d'intervention

S'agissant d'une mission d'assistance en data room, notre mission consistera en une simple mission d'examen d'informations financières sur la base de procédures convenues, au sens de la norme ISRS 4400 « Engagements to Perform Agreed-Upon Procedures Regarding Financial Information » de l'International Federation of Accountants ».

En conséquence, notre mission ne constituera ni un audit, ni un examen limité et nous n'émettrons pas d'opinion sur les états financiers. Seules les procédures convenues telles que décrites dans la présente lettre de mission seront mises en œuvre.

L'analyse des données prévisionnelles sera conduite conformément à la norme ISAE n° 3400 « Examination of Prospective Financial Information » de l'International Federation of Accountants.

3 Etendue et limites de la mission

La définition du contenu de notre mission relève de votre seule et entière responsabilité. Nos diligences ne comprennent que les aspects mentionnés dans la présente lettre de mission.

Nous attirons votre attention sur le fait que les informations relatives à des domaines exclus de notre périmètre d'intervention dont nous aurons eu connaissance au cours de notre mission et que nous vous communiquerons ne sauraient en aucun cas être considérées comme exhaustives.

Notre mission n'est pas destinée et ne saurait être considérée comme servant à révéler les irrégularités, erreurs et fraudes éventuelles. Si, toutefois, nos diligences révélaient l'existence de telles anomalies, nous les porterions à votre connaissance.

S'agissant des données prévisionnelles, il convient de rappeler que toute prévision est sujette à des aléas ou des incertitudes et qu'en conséquence, nous ne pourrions en garantir la réalisation. Ces prévisions demeurent de la seule et entière responsabilité du management du Groupe.

4 Affirmation des dirigeants

Nos constatations et conclusions sont fondées sur les documents et informations qui nous sont communiqués par les dirigeants, le personnel, les conseils de l'entreprise, sans qu'il soit

possible de procéder aux contrôles qui permettraient d'en garantir l'exactitude et l'exhaustivité, compte tenu notamment du contexte d'urgence dans lequel Grant Thornton intervient.

En conséquence, vous nous garantisiez la pertinence, l'exhaustivité, voire l'exactitude des informations transmises pour le bon accomplissement de notre mission.

4 Limitation de responsabilité

S'agissant d'une mission de simple examen d'informations financières, vous reconnaissez expressément que l'indemnisation susceptible d'être due en cas de mise en jeu de la responsabilité de notre cabinet, dans le cadre de cette mission, est plafonnée à une (3) fois le montant des honoraires hors taxes, frais et débours, effectivement perçus au titre de la présente mission.

5 Rapport

Notre rapport ne pourra être communiqué à un tiers (en totalité ou en partie) qu'avec notre autorisation préalable et uniquement aux personnes dont vous nous aurez communiqué la liste par courrier.

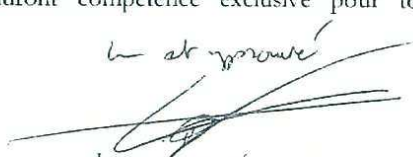
En toute hypothèse, notre responsabilité professionnelle est limitée aux relations entre les destinataires de notre rapport ayant formellement accepté les termes de la présente lettre de mission et notre cabinet, sans qu'elle puisse être étendue à d'autres personnes qui auraient à connaître de notre rapport, notamment pour décider de faire ou de ne pas faire. Notre responsabilité ne pourra être engagée toutes parties et causes confondues au-delà du montant exposé au paragraphe 4.

6 Honoraires

Si Grant Thornton devait interrompre sa mission à la demande de OPG ou en cas de force majeure, OPG verserait à Grant Thornton les honoraires encourus à la date d'interruption en fonction du temps effectif déjà passé sur la mission et des taux horaires de Grant Thornton tels que précisés en **annexe 3**.

7 Loi applicable

La présente lettre de mission est régie par la loi française. Les instances professionnelles et les juridictions civiles françaises auront compétence exclusive pour tout différend concernant l'exécution de la mission.



Lu et approuvé,
Pour OPG

Annexe 2 - Etendue des travaux

1 **Revue du modèle relatif aux nouveaux projets (2010-2020) et revue de la construction du modèle consolidé (« existing project / new project »)**

La revue comprendra les travaux suivants :

- Apprécier la prise en compte correcte et exhaustive dans la modélisation financière, des hypothèses définies par le management,
- Contrôler les principales fonctionnalités développées, pour s'assurer que la construction du modèle prévoit notamment des scénarios de sensibilité, la génération de plans de financements, bilans, comptes de résultat, ratios bancaires et covenants financiers,
- Par sondages et tests de cohérence, s'assurer, dans la limite de ce qu'il est estimé utile dans le contexte de la mission, que les principaux calculs, algorithmes, enchaînements logiques et formules utilisés sont fiables et ne comportent pas d'erreurs ;
- S'assurer et confirmer que les règles comptables et fiscales transcrites dans le modèle financier, sont conformes aux règles appliquées par le Groupe dans le cadre de l'établissement de ses comptes consolidés,
- Au cours de cette phase, les anomalies relevées seront signalées, afin qu'il puisse être procédé aux corrections nécessaires du modèle financier.

2 **Revue de la construction et des hypothèses relatives au projet BUBNY**

La revue comprendra les travaux suivants :

- Apprécier la prise en compte correcte et exhaustive dans la modélisation financière, des hypothèses définies par le management,
- Contrôler les principales fonctionnalités développées, pour s'assurer que la construction du modèle prévoit notamment des scénarios de sensibilité, la génération de plans de financements, bilans, comptes de résultat, ratios bancaires et covenants financiers.

Nous analyserons enfin la cohérence d'ensemble du modèle et procéderons à une présentation consolidée de ces données par catégories d'actifs dans un rapport de synthèse.



Lu et approuvé,
Pour ORCO

B. Lettre d'affirmation

LETTRE D’AFFIRMATION



Monsieur Marc Clavierie
Grant Thornton
100 rue de Courcelles
75017 Paris

Paris, le 24 mars 2010

Monsieur,

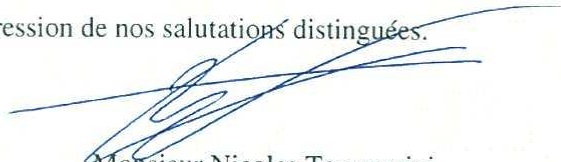
Dans le cadre de la mission qui nous vous avons confiée, vous nous avez demandé de vous confirmer les informations suivantes concernant les prévisions du groupe ORCO pour les exercices 2010 à 2020.

1. Le business plan 2010 à 2020 qui vous a été communiqué donne l'image la plus probable de l'activité, des résultats et de la situation financière des sociétés du groupe. Les méthodes utilisées pour l'établissement de ce business plan sont identiques à celles appliquées pour l'établissement des comptes.
2. Les hypothèses qui sous-tendent ces budgets, ainsi que les risques et zones de sensibilité, vous ont été intégralement exposés. Nous vous avons également informés de toutes les modifications ou évolutions (cession d'actifs, évolution des projets, fermetures,...) réalisées ou prévues selon notre meilleure connaissance à la date de votre intervention.

D'une manière générale, nous vous avons signalé toute information susceptible d'avoir une influence sur :

- les budgets et leur interprétation,
- la connaissance et la compréhension de l'organisation, de l'activité, des résultats et des perspectives du Groupe.

Nous vous prions d'agréer, Monsieur, l'expression de nos salutations distinguées.



Monsieur Nicolas Tommasini
Directeur Général - CFO

LETTRE DE CONFIRMATION DU MANAGEMENT



Monsieur Claverie
Grant Thornton
100 rue de Courcelles
75017 Paris

Paris, le 24 mars 2010

Monsieur,

Dans le cadre de la mission de revue des prévisions que nous vous avons confiée, nous vous confirmons avoir pris connaissance de votre projet de rapport.

Nous n'avons pas de commentaires à formuler sur les informations qui y sont présentées.

Cette prise de connaissance appellent les commentaires suivants :

Nous vous prions d'agréer, Monsieur, l'expression de nos salutations distinguées.

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name Nicolas Tommasini.

Monsieur Nicolas Tommasini
Directeur Général - CFO