



“Orco Property Group’s 2008 results reflect the deteriorating economic conditions and the slow down in real estate markets which led to large write-downs in the value of our real estate assets. Facing difficult conditions in its Central European markets in 2009, we have launched a procédure de sauvegarde (court protection from creditors) to maintain the value of our assets and carry out the Group’s financial and operational restructuring”

Dear shareholders,

As you know, Orco Property Group is facing by particularly difficult market conditions, which sharply deteriorated in late 2008 and continue in 2009. Central European real estate markets posted their first fall in value following 10 years of sustained growth. Indeed, in 2008 Orco Property Group suffered the first reduction in value of its property portfolio after eighteen years of uninterrupted growth. Backed by its leadership positions on its key markets, demand for housing and office property which remain central, and credit conditions that are improving bolstered by ambitious tax stimulus plans in the countries where we operate, the Group is well positioned to take advantage of the recovery.

Based on this conviction and with the constant support of the board of directors, we have decided to launch a procédure de sauvegarde (court protection from creditors), which gives us the time and environment to complete the restructuring and step up our strategic plan. The management team under my chairmanship is already fully committed to achieving the following three key objectives:

1. Renegotiate debt in accordance with the legal and transparent framework laid down by the procédure de sauvegarde
2. Refocus our activities on businesses that maximise income and on the most profitable projects in the short and medium term
3. Maintain strict control over costs

The decisions that we have taken including the launch of the procédure de sauvegarde will maintain the Group as a unit while protecting the value of the assets we have acquired and developed over the last 19 years.

Our financial and operational restructuring plan that we are implementing with vigour and determination will allow us to pass this difficult financial period and to emerge from the procédure de sauvegarde as a simpler and more profitable Group refocused on our core businesses. Management and the board of directors are working on behalf of all Orco Property Group employees, suppliers and above all shareholders on a daily basis.

JEAN-FRANÇOIS OTT
Founder and CEO

**ORCO PROPERTY GROUP'S
KEY DATES:**

1991

Orco Property Group is founded in Paris

1999

Orco holds and manages 15 properties in the Czech Republic and begins its expansion in Budapest

2000

IPO on the Paris Stock Exchange with a total asset value of €56.8 million

2002

Opening of the MaMaison Residences in the Czech Republic

2005

Listing on the Prague Stock Exchange with an asset portfolio valued at €1 billion

2007

15 acquisitions completed including Orco GSG in Germany, and listing on the Warsaw and Budapest stock exchanges

2008

Group real estate assets amount to €2.2 billion

2009

Launch of the Orco Property Group 2011 strategic plan

A PROCÉDURE DE SAUVEGARDE FOR ORCO PROPERTY GROUP SA

Orco Property Group's board of directors, having reviewed all strategic, operational and financial options and for precautionary reasons, has decided to apply for the company to enter a *procédure de sauvegarde* (court protection from creditors). The *Tribunal de Commerce de Paris* (Paris Commercial Court), in its judgment of March 25, 2009 established a *procédure de sauvegarde* for Orco Property Group SA, parent company of Orco Group, and Vinohrady SARL, its French subsidiary.

A *procédure de sauvegarde* is a French legal provision that enables a company, whose central interests and decision making are in France, to pursue operations normally while protecting its business from creditors' claims for a given period of time to allow it to complete its restructuring plan. This process is reserved for companies who can demonstrate they are solvent. This procedure was granted for 6 months until September 25, 2009 and can be renewed up to two times based on the court's decision. The *procédure de sauvegarde* provides management with the time and environment required to carry out the financial and operational restructuring.

The procedure will enable management to:

- Maintain the Group as a unit and safeguard the value of its assets
- Ensure its ongoing operations under normal conditions for all employees, suppliers, clients and business partners
- Open discussions with creditors and financial partners
- Step up the restructuring plan

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.



Paris Department Store, Budapest

2008 - 2009 HIGHLIGHTS

Our Budapest team has signed one of the biggest rental transactions in the sector with Alexandra Bookstore for the Paris Department Store building. Alexandra Bookstore is the biggest book retailer and publisher in Hungary. With this transaction, 95 % of the retail part of the building is now rented out. The delivery of the building is planned for second quarter 2009.

ORCO Germany also concluded a lease agreement in Düsseldorf's Sky Office. Interconsilium GmbH & Co.KG - In Search of Leadership, an international personnel consultancy firm focused on top management, will move into the 8th floor of the southern tower. With the new tenant Interconsilium Sky Office will be leased out at more than 60 %.

STEP UP THE GROUP RESTRUCTURING

Under the *procédure de sauvegarde* Orco will step up the operational and financial restructuring plan launched early in 2009.

This plan is designed to give rise to a “new Orco”, which is:

- Simpler in terms of structure
- Focused in terms of regions and businesses
- Integrated in terms of control over subsidiaries and affiliates
- Deleveraged debt following discussions with bondholders and banks
- Relying on strong cash flow for Orco Property Group SA
- Based on a lighter and streamlined cost structure
- Retaining potential for development projects

The first priority is to refocus Orco's on its core activities. Backed by the *procédure de sauvegarde* the management has started to review all projects based on strict profitability criteria avoiding fire sales at low values in order to minimize losses. The company will concentrate on properties generating stable income, in particular retail and office properties in Prague and Berlin, where Orco's track record in terms of value creation is the most significant. Management also plans to retain certain properties in Budapest, Düsseldorf and Warsaw. The projects in these cities will all be reviewed and will be retained if they satisfy the profitability criteria. The residential property development business will remain an important part of Orco's activities even if the portfolio will be largely concentrated in key cities such as Prague and Warsaw. Demand is holding up in these cities when the supply and competition are falling due to the reduction of the number of market operators.

The Bubny land development business in Prague for example remains essential for Orco's future growth, even if Orco may not be able to complete the property development by itself.

The second priority is to withdraw from the Group's non-strategic businesses and regions such as logistics in Russia and the hotel business. The Group will maintain offices in the key cities of countries where it has a presence, i.e. Prague, Berlin, Warsaw, Budapest and Düsseldorf. In 2008, the Group sold properties for €188 million in a difficult market generating €100 million in cash flow. The sales prices represented 96 % of the property values as at December 31, 2007.

The third priority relates to the company's financial restructuring. With a new Paris-based team led by Nicolas Tommasini, control has been strengthened particularly for capital expenditure at the subsidiary level. Management selects the high-priority investments. Capital expenditure has already been slashed from €630 million to €280 million. Orco's debt is also due to be restructured: this will involve debt rescheduling, and/or partially writing off the debt, and/or a debt/equity swap. Lastly, management plans to call in loans to partners and subsidiaries, which today amounts to €104 million.

The fourth priority concerns reorganizing the company and streamlining its overheads. Paris head office now gathers general management, the finance department, the legal department the communications department and Endurance. A major reorganization has already begun involving headcount reductions (representing annual cost savings of €7.1 million): as at June 30, 2009, Orco had 438 employees down from 724 as at December 31, 2007. Headcount is due to further reduce to 368 by the year end, and then to 300 by 2010.



Sky Office, Düsseldorf

2008 Turnover:
€ 299.9 million

Net assets:
€ 42 per share

Net loss:
€ 390 million

Adjusted Ebitda :
€ 65.9 million

including
€ 404 million
of impairment charges

Dear Shareholders,

You are invited to attend the ordinary general meeting to be held at the registered office of the Company, in Luxembourg, Orco Property Group, 40, parc d'Activités Capellen L-8308 Capellen, on April 30, 2009 at 2:00 p.m., to discuss and to vote on the following agenda:

1. Impact of the French Court Protection from creditors ("procédure de sauvegarde") on the Company;
2. Presentation of the unaudited Company and consolidated financial statements for the year ended December 31, 2008;
3. Decision to postpone the General Meeting convened to approve the audited Company and consolidated financial statements for the year ended December 31, 2008, and elections in accordance with the articles of association;
4. Miscellaneous.

Attendance at the General Meeting:

Shareholders wishing to attend the General Meeting shall give notice thereof to one of the following persons by April 24, 2009:

- CACEIS CORPORATE TRUST,
14 rue Rouget de Lisle,
F- 92189 Issy les Moulineaux
- their financial intermediary
- directly to the Company

Shareholders wishing to be represented at the General Meeting shall provide a proxy and a blocking certificate to the following persons:

- CACEIS CORPORATE TRUST,
14 rue Rouget de Lisle,
F- 92189 Issy les Moulineaux
- their financial intermediary
- directly to the Company

Such proxy must be duly completed including the shareholder name.

Shareholding threshold:

As indicated in the press release of February 4, 2005, which is available at www.orcogroup.com, any shareholder who goes above or below any of the shareholding thresholds set at 2.5%, 5%, 10%, 15%, 20%, 33%, 50% and 66% of the share capital, is bound to declare said change in shareholding in accordance with the Company's articles of association. Shareholders who do not notify the Company will not be able to use their voting right at the next General Meeting. If, during fifteen days preceding the date when a General Meeting has been convened, the Company receives a threshold notification or becomes aware of the fact that a threshold notification has to be or should have been made in accordance with legal provisions, the Company's board of directors is entitled to postpone the General Meeting for up to four weeks. The postponed General Meeting is convened in accordance with the usual procedures and its agenda can be added to or amended.

Yours faithfully,

THE BOARD OF DIRECTORS

In less than twenty years since it was founded in 1991 in Paris, Orco Property Group has turned into one of the leading property and hotel companies in Central Europe with strong positions in residential property in many countries including Czech Republic, Slovakia, Poland, Hungary, Germany, Russia and Croatia. The Group holds a portfolio of office, hotel and logistics properties, which are let or under development. Orco Property Group holds major real estate reserves to

assure the Group's ongoing business over the coming years. The Group has been listed on Euronext in Paris since 2000 and is also listed on the Prague, Warsaw and Budapest stock exchanges. The value of ORCO group's total real estate assets, including its subsidiaries, is estimated by DTZ, a real estate consulting firm, at €2.2 billion. The Group, including its property, hotel and logistics management subsidiaries, has over 2,500 employees from fifteen countries.