

Orco Property Group S.A.
Société Anonyme

Consolidated financial statements
as at December 31, 2008

40, rue Pafebrüch PA Hirebusch
L-8308 Capellen
R.C.S. Luxembourg: B 44 996

**Orco Property Group
Société Anonyme
Parc d'Activités, 40
L-8308 Capellen
RCS Luxembourg B 44996**

Annual Management Report

Financial year 2008 – Annual and consolidated accounts

8 June 2009

1. Group activity

2008 ended with a consolidated loss of KEUR -390 560 compared to a consolidated profit of KEUR 87 508 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 MEUR 0.7 to reach MEUR 299.9 due to both renting and development activities increases.

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

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

Buildings & Land Bank	Country	Investment (€ million)
<i>Buildings</i>		12,7
Hüttendorf	Germany	7,9
Hakeburg	Germany	3,4
Hochwald	Germany	1,4
<i>Land Bank</i>		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

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

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	11,468
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.

2. Key figures

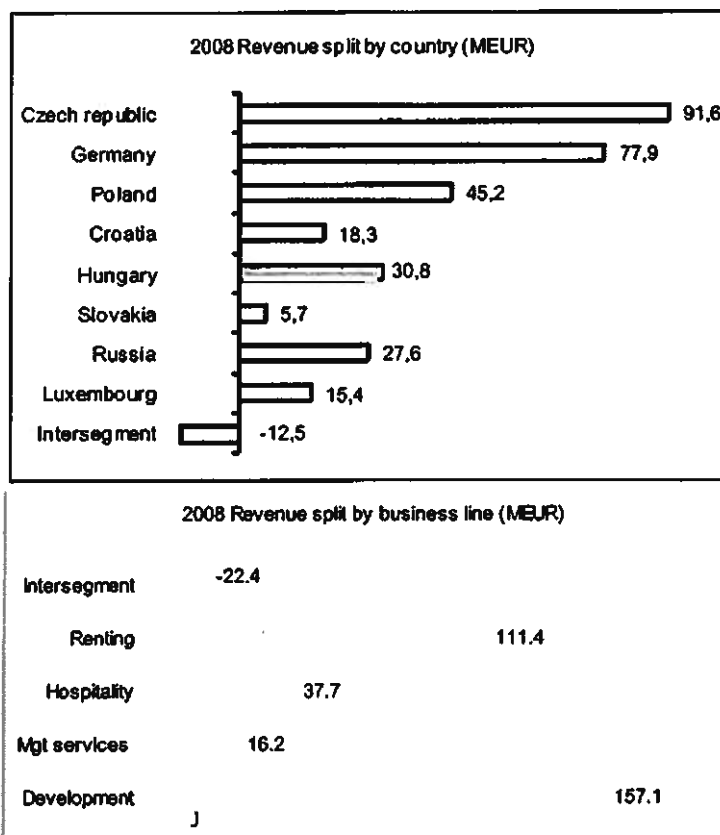
2.1. Consolidated financial statements

The consolidated financial statements closed with a net loss attributable to shareholders of KEUR -390 560 vs a net profit of KEUR 87 508 in 2007. The total consolidated balance sheet reached KEUR 2 464 110 vs KEUR 2 943 263 in 2007 and the equity holders' balance amounted to KEUR 304 633 vs KEUR 736 012 in 2007.

Revenue

The consolidated revenue closed at KEUR 299 926 in 2008 vs KEUR 299 229 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

Revenues from the residential development activities reached MEUR 157.1 (MEUR 192.7 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 MEUR 111.4 vs MEUR 66.1 in 2007.

The three main contributors are:

- Molcom, which was purchased in April 2007, generated MEUR 24.0 of revenues;
- GSG, which was acquired in June 2007, generated MEUR 38.9 of revenues;
- in Prague, the Bubenska building, purchased in September 2006 for MEUR 27.0, generated MEUR 3.7 in rental revenues in 2008.

Orco Germany's investment portfolio generated MEUR 57.2 of rental income (MEUR 27.4 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 MEUR 48.4 (MEUR 19.9 in the second half of 2007).

Hotels and Residences

Hospitality revenues decreased to the level of MEUR 37.7 in 2008 compared to MEUR 42.9 in 2007, due to the sale of the residences Belgicka and Diana in the Czech Republic to the Hospitality Fund. Suncani Hvar contributed MEUR 16.7 compared to MEUR 12.1 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 MEUR 41.

Management Services

The fees generated by the Endurance Funds have decreased to MEUR 6.4 (MEUR 7.6 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).

Net result from fair value adjustments on Investment Properties

The revaluation loss amounted to MEUR -217.0 vs a profit of MEUR 147.4 in 2007. This revaluation loss only includes the revaluation of investment properties and land banks. On-going developments, properties under development and hotels (all valued at costs less impairment) are excluded from this calculation, as they are taken into account in impairment.

Among the main contributors to this revaluation loss, GSG accounts for MEUR 28.1, Haus Cumberland for MEUR -37.0, Bubny for MEUR -25.7, Radio Free Europe for MEUR -18.8, Budapest Bank for MEUR -14.7 and Mostecka for MEUR -12.5.

Adjusted EBITDA of MEUR 65.9

The adjusted EBITDA (being the EBITDA after adjustment of the previous fair value gains, now included in the cost of goods and assets sold) amounted to MEUR 65.9 on MEUR 299.9 of sales (MEUR 66.1 in 2007 on MEUR 299.2 of sales).

The three main elements contributing to this trend were:

- the adjusted EBITDA of the development activity decreased from a positive contribution of MEUR 16.1 in 2007 to a negative one of MEUR -13.4;
- the adjusted EBITDA of the renting portfolio amounted to MEUR 74.5 vs MEUR 30.4 in 2007. The two major contributors to the improvement of the operating profitability were GSG for MEUR 21.2 and Molcom for MEUR 7.4;
- the adjusted EBITDA of the asset management activity amounted to MEUR 7.6 vs MEUR 14.8 in 2007.

As at 31 December 2008	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	157,073	37,685	111,379	15,234	-22,445	299,926
Net gain 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
Amortization, impairments and provisions	-75,494	-12,887	-100,240	-96	-	-188,517
Other operating results	-49,809	-41,145	-76,253	-6,644	22,385	-153,467
Operating result	-219,799	-42,072	-132,373	7,533	-60	-386,771
Financial result						-127,642
Profit before income taxes						-514,413
Income taxes						50,595
Net profit						-463,818
Attributable to minority interests						73,258
Attributable to the Group						-390,560
Operating result	-219,799	-42,072	-132,373	7,533	-60	-386,771
Net gain on fair value adjustment	123,286	25,813	67,852	-	-	216,951
Amortization, impairments and provisions	75,494	12,887	100,240	96	-	188,517
Correction of cost of goods and assets sold	7,659	783	38,798	-	-	47,240
Stock options	-	-	-	-	-	-
Adjusted EBITDA	-13,360	-2,789	74,518	7,829	-60	65,938

Operating result

2008 closed with a negative operating result of KEUR -386 771 vs a positive result of KEUR 177 104 in 2007.

Financial result

The net financial result in 2008 amounted to KEUR -127 642 vs KEUR -73 859 in 2007.

The interest expenses of MEUR -74.7 vs MEUR -66.3 in 2007 correspond to the Group global financing charge.

The cash nominal rate of the global debt amounted to 4.22% vs 4.72% in 2007. The effective interest rates for the bonds in EUR were 8.25% (9.99% in 2007), and 6.2% (4.83% in 2007) for the bond in CZK. Bank borrowings showed an effective interest rate of 3.82% (5.83% in 2007) for the EUR, 5.52% (5.69% in 2007) for the CZK, 4.62% (5.67% in 2007) for the SKK, 7.31% (6.47% in 2007) for the PLN, 4.18% (4.88% in 2007) for the HRK and 5.03% (N/A in 2007) for the USD.

Interest income amounted to MEUR 10.1 vs MEUR 8.9 in 2007.

Foreign exchange result amounted to MEUR -21.2 vs MEUR -5.7 in 2007.

Other net financial results amounting to MEUR -41.8 (MEUR -10.8 in 2007) were mainly constituted by a loss of MEUR -1.7 on the embedded derivatives on bonds, of a profit of MEUR 7.9 on the Suncani Hvar warrants, of a loss of MEUR -31.1 on the other derivatives, and of a loss of MEUR -13.8 on trading and revaluation of other financial assets.

Tax

The global tax charges of the year amounted to KEUR 50 595 vs KEUR -2 341 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)

Debt

The Group's net financial debt amounted to MEUR 1 566 (bank indebtedness and bonds issued) vs MEUR 1 480 in 2007. Cash and cash equivalents amounted to MEUR 84 vs MEUR 258 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)

	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	2,201,162	2,470,977
Loan to value	67.2%	49.0%

Portfolio

The portfolio valuation as at 31 December 2008 amounted to MEUR 2 201 vs MEUR 2 471 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.

2.2. Annual accounts

Net profit

The 2008 result closed with a loss of KEUR -240 510 vs a profit of KEUR 17 866 in 2007. Revenue amounted to KEUR 527 vs KEUR 1 614 in 2007.

Financial result

Income from participating interests amounted to KEUR 32 249 vs KEUR 43 879 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 MEUR 13.0;
- the sale of 25% of five equity stakes to Endurance Residential Fund with a loss of MEUR -3.6;
- the sale of three hotels to the Hospitality Fund with a profit of MEUR 3.3;
- the liquidation of three equity stakes with a loss of MEUR -6.8;
- the sale of four stakes with a profit of MEUR 2.1;
- dividends received from subsidiaries amounted to MEUR 24.2.

Interest charges amounted to MEUR 64 vs MEUR 27 in 2007, while interest income increased from MEUR 22 in 2007 to MEUR 33 in 2008.

3. Going concern

The consolidated financial statements of Orco Property Group have been closed based on the principle of going concern, which validity directly depends i) on the successful achievement of an operating and financing restructuring plan and ii) of a disposal plan of non strategic assets.

Together with Grant Thornton, the Group has prepared a cash flow forecast plan which shows a treasury situation which would help the management to implement a recovery plan with the objective to finance its cash needs.

If the implementation of the restructuring program 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 can not 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.

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..

Orco Property Group S.A.'s activity is to provide equity and shareholder loan funding for its real estate assets through the Group subsidiaries, and to collect interests, loan reimbursements, dividends and proceeds from disposals. The management's attention has concentrated into the later, particularly for the ventures and partnerships where Orco has been solely providing funding.

The 'Sauvegarde' procedure provides a legal and time frame for 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

3.1 Focusing the Group's businesses

The 'Sauvegarde' procedure allows the management to select a number of assets it chooses to keep, according to strict criteria and profitability analysis. It safeguards the Group from fire sale disposals which would trigger a sharp loss of net asset value.

a) Increasingly focused investment properties

The core business of the new Orco shall be its investment properties producing recurrent cash flow with a focus on commercial properties only, mainly office and retail. Following a review of the different market conditions and the Group's potential in those markets, Orco will focus its investments in Prague and Berlin where Orco has the strongest track record in value creation. The second centers of interests for Orco will be Budapest, Düsseldorf and Warsaw. The investment property is targeted to represent 2/3rd of the future asset value of the Group within 2011.

However, the exact perimeter of the investment properties business will depend on the results of the subsidiaries debt restructuring plan which is being launched, and the availability of external funding.

The investment properties business shall be run as a distinct profit centre and undertake selected development projects. Those developments shall be funded by excess cash flow and asset disposals. The focus on investment properties goes with continuing investing into our asset management service businesses, whether for internal use or addressed to external clients (Endurance Fund).

b) A streamed residential development business

Residential development shall remain an important business for Orco, although the geographical scope will be scaled back to Orco's key Prague and Warsaw markets. Orco remains committed to residential development as underlying demand remains strong in those cities, while supply and competition should be reduced with the exit of several players. Orco can benefit from a unique land bank, mostly unlevered, and experienced teams and market positions having completed more than 170 projects since 1991.

The Company shall therefore retain its key project management division.

Residential development shall be run as a distinct business within Orco. This business shall be self financed thanks to its cash flow generation.

In the short-term, the business will focus on projects generating cash in 2009/2010. The residential projects which construction has not started yet are on hold.

c) Land development

Land development is the reserve for future growth of Orco, even though Orco may not be able to fund the property development. Therefore, for our major plots like Bubny in Prague, Orco shall focus on land development and resell the plots in pieces. Another Orco entity (fully owned or JVed) would have to buy it from the land development entity to properly develop it.

Funding is to be done through future sale of land and Joint Ventures. The availability of external equity as per the 'Sauvegarde' plan shall determine the rhythm of land development.

3.2 Exiting non strategic cities and businesses

Orco non strategic businesses were identified as being: logistics management and investment, residential investment properties, hospitality management and property management.

The management has decided to sell its activities in Moscow and Russia, specifically Molcom. The Group will be closing its offices in all Czech and German cities except Prague, Berlin and Dusseldorf, and has been fundamentally scaling back Bratislava or Budapest. Development activities in Germany will be closed and the Group will dispose its land bank and projects.

'Sauvegarde' allows a timely realisation of the disposal plan, avoiding a hasty fire sale of assets. The Group therefore anticipates that the disposal target of MEUR 200 for the 12 months of 2009 shall be accomplished in 18 months by mid 2010.

The cash freed by disposals shall be focused in priority on the most advanced investment properties under development.

3.3 Orco's financial restructuring plan

The new finance team, run by Nicolas Tommasini, has been focusing restructuring efforts on cash management and debt restructuring. The main features of the financial restructuring plan are

a) A new financial organisation focused on cash management

A new financial organisation has been set up in Paris which reinforces Orco Property Group S.A.'s control over the Group cash which is now centrally and 'top down' managed. The focus is on the mother company cash needs and cash return from its ventures and subsidiaries. The preservation of value focuses now on the mother company, which controls and prioritises subsidiaries or ventures financing needs.

'Sauvegarde' has accelerated this process as cash outflows need to be greenlighted in Paris by either the 'administrateur judiciaire' or the judge during the whole procedure.

b) Management is sharply reducing capex through project selection

This cash prioritisation goes with an increased selection of real estate project fundings (capex) that led to a decrease of planned capex to approximately approximately MEUR 280 in 2009 (continuously down from original budget of MEUR 630 as established in July 2008). The most strategic development projects, particularly those pre-leased or pre-sold, are secured.

A number of projects are under review with our banking partners with whom we have been working with for the past 18 years, construction partners and potential joint venture equity partners.

While higher risk, and/or lower return projects may be abandoned or sold, some of our flagship projects like the Budapest Stock Exchange (Vaci 1), the Zlota tower in Warsaw, or City Gate in Bratislava, are expected to benefit from the support of our various partners.

c) Debt restructuring for deleveraging Orco

The 'Sauvegarde' process includes a restructuring negotiation process of Orco Property Group's bonds debt, and other 'central' liabilities. This process is formal (constitution of committees), professional (framed by a court appointed creditors representative) and transparent. The outcome may lead to a rescheduling of the debt, and/ or partial debt abandon, and/or conversion into equity.

But 'Sauvegarde', and the above mentioned project selection, shall also lead to an adaptation of the banking debt structure at the subsidiary levels. For current on-going development projects, the management believes Orco will get additional support from its long term banking partners so as to limit equity needs, as completion crystallises value for all the stakeholders.

The objective of the debt restructuring plan, which will take place over a period of 12 months, is a consolidated LTV ratio for the Group below 50% and a rescheduling of maturities.

d) Collecting cash from ventures and subsidiaries

Orco Property Group SA has been the only shareholder contributing to shareholder loans to ventures it partially or fully controls like Molcom, a partnership with Russian businessman Albert Akopyan, or Orco Germany, a partnership with a Morgan Stanley managed fund, also listed in Frankfurt. In several cases, the loan is either due or the venture has some cash that could reimburse the shareholder loan. Orco Property Group S.A. has lent in total MEUR 104.7 as of today.

3.4 Streamlining our organisation and adapting our costs structure

a) A new corporate organisation tied up with a new financial team and a streamline top management led by Jean-François Ott

Following the management changes announced by founder and CEO Jean-François Ott in mid February, the Group has been reorganised around headquarters office in Paris where it was founded in 1991.

- the Paris office has gathered the functions of general management, financial management, legal management, communication, and Endurance general management. Nicolas Tommasini, Deputy CEO and CFO, and Keith Lindsay, the Group COO, are also based in Paris. 'Sauvegarde' procedure accelerates concentration of all headquarters functions in Paris in order to allow the judicial control over Orco held in Paris.
- the Luxembourg office, where the Company has its legal seat, shall remain its administrative centre.
- the Prague office shall be the operational centre for development for the whole Group and shall oversee asset management in Central Europe.
- Berlin shall be an operational centre for asset management in Germany.
- Warsaw and Budapest shall keep country offices while Moscow are to be closed.

The restructuring include delisting of its secondary listings to save costs, and also eventually delisting subsidiaries.

b) Integrating subsidiaries and ventures

While some non strategic ventures would be disposed of, Orco plans to integrate further and increase its stake in ventures it does not fully control as an alternative to reimbursement of their shareholder loans. Most concerned would be Orco Germany and Molcom before disposal.

c) Cost cutting plan

Orco Property Group S.A. management has engaged an across-the-board cost-cutting plan that already led to MEUR 7.1 per year of cost-savings thanks to the reduction of the number of employees. At the end of June 2009, the Group (except Molcom and Hospitality) will count 438 employees vs 724 employees at the end of 2007. The headcount is expected to fall further to 368 by the end of 2009 with the sale of service businesses and to 300 by end 2010. Further restructuring of overheads is anticipated during 2009 and 2010 to take the total overhead costs from MEUR 22.5 to MEUR 18.0 by the end of 2010 for the perimeter excluding Molcom, Hospitality and Orco Germany. Specific cost-saving plans are being prepared to align the overheads of Orco Germany to its new business model. The Group will be closing its offices in all Czech and German cities except Prague, Berlin and Dusseldorf, and has been fundamentally scaling back Bratislava or Budapest.

4. Other reporting requirements

4.1. Subsequent closing event:

See note 33 of the consolidated financial statements

4.2. Financial Risks Exposure

For a thorough description of the principal risks and uncertainties (see notes 3 and 4 to the consolidated financial statements).

4.3. Other information

The Group does not provide any activities in research and development.

The Group does not have any branch.

5. 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.

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 31 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 favour of the appointment of one director representing Jardenne S.à r.l. if requested by Jardenne S.à r.l.

Stock subscription rights

During 2008, 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 2008. As at 31 December 2008, 63 000 options at EUR 75.6 are outstanding.

Authorised capital not issued

The Extraordinary Shareholders' Meeting of 8 July 2008 renewed the authorisation granted by shareholders to the Board of Directors on 18 May 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorised capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorised capital of EUR 300 000 001.20 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorised capital.

The Board of Directors has been authorised and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalisation of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 8 July 2013.

A total of EUR 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.

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).

6. Stock market performance

Shares of Orco Property Group S.A.

Changes in share price and volume traded in 2008 are listed below:

	Low	High	Volume
2007	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

Bonds with redeemable share subscription warrants (LU0234878881)

Change in bond price and volume traded in 2008 are listed below:

	Low	High	Volume
2007	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
2007	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

7. 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.

8. Compensation of Directors

See note 30 of the 2008 consolidated financial statements.

9. 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 MEUR 34 is in place in case members cease their contract in a period of 6 months after a change of control of the Company.*



Declaration Letter Annual Financial Reports as at 31 December 2008

1.1 Persons responsible for the Annual Financial Report

- Mr. Jean François OTT, managing director of Orco Property Group, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08;

- Mr. Nicolas TOMMASINI, director of Orco Property Group, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08.

Tel: +33 (0) 1 40 67 67 05

Fax: +33 (0) 1 40 67 67 01

Email: jfott@orcogroup.com

ntommasini@orcogroup.com

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 « ORCO PROPERTY GROUP »).

1.2 Directors' responsibilities statements by the person responsible for Annual Financial Report

The directors confirm that, to the best of each person's knowledge:

(a) the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of ORCO PROPERTY GROUP and its subsidiaries included in the consolidation taken as a whole; and

(b) the Annual Management Report of the Board of Directors includes a fair review of the development and performance of the business and the position of ORCO PROPERTY GROUP and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board of Directors and signed on its behalf by Mr. Jean-François OTT and Mr. Nicolas TOMMASINI.

Paris, June 8th, 2009

Jean-François OTT
Managing Director
ORCO PROPERTY GROUP

Nicolas TOMMASINI
Director
ORCO PROPERTY GROUP

ORCO PROPERTY GROUP

Société anonyme

40, Parc d'Activités Capellen L-8308 Capellen
RCS Luxembourg B 44.996 TVA LU 16712774
tél : 00 352 26 47 67 1 fax : 00 352 26 47 67 67
www.orcogroup.com

Orco Property Group S.A.
List of Board of Director members

Directors	Last appointment	Termination
Jean-François Ott Managing Director Chief Executive Officer and Founder of ORCO Property Group	24/04/08	Until the annual shareholders meeting to be held in 2009
Remy Allemane Director	24/04/08	29/04/09
Arnaud Bricout Director Vice President of Orco Property Group until 04/02/09	24/04/08	04/02/09
Pierre Cornet Director Independent Director	24/04/08	Until the annual shareholders meeting to be held in 2009
Patrick Ganansia Director	24/04/08	07/11/08
Bernard Gauthier Director Independent Director	24/04/08	Until the annual shareholders meeting to be held in 2009
Luc Leroi Managing director Chief Financial Officer, Vice President of Orco Property Group and general secretary, until 04/02/09	24/04/08	04/02/09
Silvano Pedretti Director Independent Director	24/04/08	Until the annual shareholders meeting to be held in 2009
Nicolas Tommasini Director Deputy Chief Executive Officer and Interim Chief Financial Officer from 04/02/09	24/04/08	Until the annual shareholders meeting to be held in 2009
Guy Wallier Director Independent Director	24/04/08	Until the annual shareholders meeting to be held in 2009
Ott&Co S.A., represented by Mr Jean-François Ott, Director	24/04/08	Until the annual shareholders meeting to be held in 2009
CEREM S.A., represented by Mr Luc Leroi, Director	24/04/08	12/02/09
CEREM S.A., represented by Mr Jean-François Ott, Director	12/02/09	Until the annual shareholders meeting to be held in 2009

**ORCO PROPERTY GROUP
SOCIÉTÉ ANONYME**

**CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT**

DECEMBER 31, 2008

40 Parc d'Activités de Capellen
L-8308 Capellen
R.C.S. Luxembourg : B 44.996

Independent Auditor's report

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, 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



Marc Minet

ORCO PROPERTY GROUP

Consolidated financial statements

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

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

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	177,184
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

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 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.

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 – 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 no 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 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

i) 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.

ii) 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*

i) **Operating lease**

Properties leased out under operating leases are included in investment property in the balance sheet.

ii) **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.

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 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), the Slovak Koruna (SKK) 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.

4. 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:

- i) 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;
- ii) 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
- iii) 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.

(d) 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.

(e) Determination of the going concern (see note 2.1)

(f) 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).

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.

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	1,083,051	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

6. 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.

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.

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 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 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

7. 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).

8. 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

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 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 sale price of EUR 6.8 million.

C) 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 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 apartments 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 Gethsemanstrasse (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) (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.

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).
 - 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), Slunecný 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 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 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 portfolio to AIG among which the Startlight 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.

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
Oroo Elb Loft	-	-	-538	1,770
Prenzlauer Allee 195	302	2,140	-463	1,680
Brunnenstrasse 25	-203	2,140	-571	1,600
Berlin Gorschr. 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	-	-
Tucholskystasse 39	-242	2,260	-	-
Total Freehold Buildings Germany :	59,907	646,975	-36,683	628,170

Freehold Buildings	2007 Revaluation	Fair Value 31.12.07	2008 Revaluation	Fair Value 31.12.08
Czech Republic				
Radio Free Europe	-	-	-18,832	55,700
Viatvska	-	-	-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	-	-
Kohai	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

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	68,000
Praga	4,539	15,180	-1,289	15,730
Nupaky 1	-	-	-1,003	5,000
Doupovska	357	4,000	-702	4,000
Mezihori	2,191	2,850	-1,423	3,010
Belvue Grand	109	4,110	-1,519	2,650
U Hranic Prague 10, CZ	-	-	-560	2,550
Hradec Kralové Plachta Jih	3,161	4,980	-3,282	1,870
OB! Decin	-	-	-474	1,700
Rubaska	-	-	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	-	-
Pivovar Vrchleby	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
Halberger	865	19,840	-7,841	12,300
Essen Gruga Carree	-	-	-218	2,440
GSG	-	-	-	910
Russia				
Kaluga 145 Ha	-	-	-8,192	9,800
Orade	-	41,270	-	-
Hotel Pokrovka	-	-	-	-
Poland				
Jozefoslaw	-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	267,124
	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

9. 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 ^(a) 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 ^(b) 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.

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.

10. 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).

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.

11. 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 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);

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).

12. 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.

13. Inventories

Inventories	December 2008	December 2007
Opening Balance	323,699	248,884
Acquisition of Mokom	-	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 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 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;
- Dusseldorf 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), Kotic phase III (EUR -3.1 million), Nové 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), Kotic phase I (EUR -1.5 million) and various projects within IPB Real amounting to (EUR -1.1million).

14. 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**

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).

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
				<u>48.5</u>	<u>109.1</u>

In the opinion of the management, there is no significant credit risk on bank counterparties not included in table above.

15. 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).

16. 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.

17. 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).

18. 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 (Złota, 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 recognised in other operating income amounting to EUR 6.3 million.

19. 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

19.2 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 Vinohrady 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**

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;
- Viterro 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);
- Vitavska (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

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:

	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 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:

- 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.

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

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
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 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 preceding 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 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 warrantholders, 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 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

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

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

20. 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

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%

21. 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.

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.

22. 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.

23. 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

24. 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).

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 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

	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:		
Un taxed 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. 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).

26. 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.

27. 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 Bear 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).

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.

28. 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.

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 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.

30. 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.

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 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 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.

31. List of the fully consolidated subsidiaries

Company	Country	Ccy	Activity	% Shareholding 31.12.2008	% Shareholding 31.12.2007
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%
Bubenská 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 Doupovská, s.r.o.	Czech Republic	CZK	Development	100%	100%
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%
Nad Petruskou, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
NOVÉ MEDLÁNKY a.s.	Czech Republic	CZK	Development	100%	100%
Nupaky a.s.	Czech Republic	CZK	Development	100%	100%
N W D C Company spol. s.r.o.	Czech Republic	CZK	Development	51%	51%
Oak Mill, a.s.	Czech Republic	CZK	Development	100%	100%
Obonjan Rivijera d.d.	Croatia	HRK	Development	50%	/
Office II Invest S.A.	Luxembourg	EUR	Holding	50.32%	/
Onset, a.s.	Czech 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%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Development	100%	100%
ORCO Estates, s.r.o.	Slovakia	SKK	Development	100%	100%
Orco Financial Services s.r.o.	Czech 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%
ORCO INVESTMENT, a.s.	Czech 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%
ORCO Praga s.r.o.	Czech Republic	CZK	Development	75%	75%

ORCO Prague, a.s.	Czech 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%
ORCO Property Management, a.s.	Czech 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%
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%

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%
Cybermetyki 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%
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 Vierte PEG mbH (merged into ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	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%	/
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	/
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100%	/
Westendstr. 28 Fm GmbH	Germany	EUR	Development	94%	94%

32. 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:

	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:

	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.

33. 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 Vobruba 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 €25 million by the end of the second quarter 2009 and by an additional amount of up to €140 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 €25 million share capital increase. Orco Property Group would issue 5 million shares with share warrants, at a subscription price per share of €5. Four share warrants would be attached to each new share allowing ColOG to acquire 20,000,000 new shares at a subscription price of €7 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 Guernévé, 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

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).

**ORCO PROPERTY GROUP
SOCIETE ANONYME**

**ANNUAL ACCOUNTS AND
AUDITORS' REPORT**

DECEMBER 31, 2008

40 Parc d'Activités de Capellen
L-8308 Capellen
R.C.S. Luxembourg: B 44.996

ORCO PROPERTY GROUP S.A.
R.C.S. Luxembourg: B 44.996

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PricewaterhouseCoopers
Société à responsabilité limitée
Réviseur d'entreprises
400, route d'Esch
B.P. 1443
L-1014 Luxembourg
Telephone +352 494848-1
Facsimile +352 494848-2900
www.pwc.com/lu
info@lu.pwc.com
R.C.S. Luxembourg B 65 477 - TVA LU17564447

23, Val Fleuri
L-1526 Luxembourg

Report of the independent auditors

To the Shareholders of
Orco Property Group S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Orco Property Group S.A. (the "Company"), which comprise the balance sheet as at December 31, 2008 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts 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 annual accounts 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 annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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, as well as evaluating the overall presentation of the annual accounts.

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 annual accounts give a true and fair view of the financial position of Orco Property Group S.A. as of December 31, 2008, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the annual accounts which indicates that the Company has substantial outstanding debts service obligation and capital requirements. In addition, the Company has experienced significant losses during the year ended December 31, 2008 and the operations of the Company and its subsidiaries 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, indicate the existence of a material uncertainty which may cast significant doubt about the Company'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 annual accounts 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 annual accounts.

Luxembourg, June 10, 2009

PricewaterhouseCoopers S.à r.l.
Réviseur d'entreprises
Represented by



Marc Mine

H.R.T. RÉVISION S.A.
Réviseur d'entreprises
Represented by



Brigitte Denis

ORCO PROPERTY GROUP S.A.
BALANCE SHEET
December 31, 2008
(in EUR)

ASSETS	2008	2007
FIXED ASSETS		
Intangible assets		
Concessions, patents, licences, trade marks (note 3)	-	38.816,67
Tangible assets		
Other fixtures and fittings, tools and equipment (note 3)	561.649,14	1.606.465,32
Financial assets (note 4)		
Shares in affiliated undertakings	350.264.112,25	394.983.116,29
Loans to affiliated undertakings	352.462.038,35	377.172.459,75
Securities held as fixed assets	28.517.353,76	66.012.401,67
Guarantee deposit and similar	200.000,00	-
Other loans	1.400.000,00	2.086.109,50
	<u>732.843.504,36</u>	<u>840.254.087,21</u>
	<u>733.405.153,50</u>	<u>841.899.369,20</u>
CURRENT ASSETS		
Debtors (due within one year) (note 5)		
Amounts owed by affiliated undertakings	24.803.880,19	5.282.522,80
Other debtors	3.574.582,85	34.582.271,49
	<u>28.378.463,04</u>	<u>39.864.794,29</u>
Transferable securities (note 6)		
Shares in affiliated undertakings	1.750.105,06	3.503.280,00
Own shares	814.353,02	12.180.745,06
Own bonds	6.744.513,48	-
Other transferable securities	483.749,49	10.863.033,41
	<u>9.792.721,05</u>	<u>26.547.058,47</u>
Cash at banks and in hand	6.051.983,15	97.278.082,61
	<u>44.223.167,24</u>	<u>163.689.935,37</u>
PREPAYMENTS AND ACCRUED INCOME (note 7)	12.577.293,48	15.461.717,01
TOTAL ASSETS	<u>790.205.614,22</u>	<u>1.021.051.021,58</u>

The accompanying notes form an integral part of these annual accounts.

ORCO PROPERTY GROUP S.A.
BALANCE SHEET
December 31, 2008
(in EUR)

LIABILITIES	2008	2007
CAPITAL AND RESERVES (note 8)		
Share capital	44.869.850,60	44.430.855,40
Share premium	400.524.345,06	395.761.782,50
Legal reserve	4.106.864,20	3.213.567,47
Other reserves	814.353,02	12.180.745,06
Profit brought forward	39.619.315,79	26.172.377,10
Profit/(loss) for the financial year	(240.509.898,39)	17.865.934,58
	<u>249.424.830,28</u>	<u>499.625.262,11</u>
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for taxes (note 9)	698.855,40	485.940,90
Other provisions (note 10)	8.060.589,47	3.980.723,20
	<u>8.759.444,87</u>	<u>4.466.664,10</u>
CREDITORS		
Due and payable within one year		
Non-convertible bonds (note 11)	11.139.992,57	-
Amounts owed to affiliated undertakings	42.949.988,93	48.448.184,25
Other creditors (note 12)	9.153.885,21	13.622.125,92
	<u>63.243.866,71</u>	<u>62.070.310,17</u>
Due and payable after more than one year		
Amounts owed to affiliated undertakings	41.144.597,69	-
Convertible bonds (note 11)	195.545.793,33	174.169.121,39
Non-convertible bonds (note 11)	232.087.081,34	280.719.663,81
	<u>468.777.472,36</u>	<u>454.888.785,20</u>
TOTAL LIABILITIES	<u>790.205.614,22</u>	<u>1.021.051.021,58</u>

The accompanying notes form an integral part of these annual accounts.

ORCO PROPERTY GROUP S.A.
PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2008
(in EUR)

	2008	2007
CHARGES		
Other external charges	7.761.363,67	15.999.479,28
Staff costs (note 14)		
Wages and salaries	623.681,48	4.626.634,35
Social security costs	43.620,35	34.627,74
Value adjustments in respect of tangible and intangible fixed assets (note 13)	72.235,78	315.797,94
Value adjustments in respect of current assets (note 13)	500.000,00	1.711.486,39
Value adjustments in respect of financial fixed assets and of transferable securities held as current assets (note 13)	224.116.537,07	5.546.478,65
Interest payable and similar charges		
Affiliated undertakings	3.491.809,96	3.104.804,86
Other interest payable and charges (note 15)	60.678.872,82	24.052.085,96
Realised loss on tangible and financial assets (note 21)	2.680.905,56	-
Realised loss on transferable securities (note 22)	13.184.240,68	853.063,57
Other taxes (note 9)	509.221,00	2.294.432,00
Profit for the financial year	-	17.865.934,58
	<u>313.662.488,37</u>	<u>76.404.825,32</u>

	2008	2007
INCOME		
Net turnover (note 16)	526.536,81	1.614.349,10
Other operating income	-	15.000,00
Income from participating interests		
Affiliated undertakings (note 17)	32.249.114,62	43.879.200,05
Income from transferable securities and from loans forming part of financial fixed assets (note 18)		
Affiliated undertakings	33.144.128,80	22.006.611,98
Other	1.883.597,25	2.241.645,89
Other interest receivable and similar income		
Affiliated undertakings	5.349.212,50	6.648.018,30
Loss for the financial year	240.509.898,39	-
	<u>313.662.488,37</u>	<u>76.404.825,32</u>

The accompanying notes form an integral part of these annual accounts.

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
- continued -
For the year ended December 31, 2008
(in EUR)

NOTE 1 - GENERAL

ORCO PROPERTY GROUP S.A. (the "Company") was incorporated under the Luxembourg Companies Law on September 9, 1993 as a limited company (société anonyme) for an unlimited period of time.

The registered office of the Company is established in Capellen.

The Company has for object the taking of participating interests, in whatsoever form in either Luxembourg or foreign companies, especially in real estate companies in Germany, Czech Republic, Hungary, Poland and other countries of Eastern Europe and the management, control and development of such participating interests. ORCO PROPERTY GROUP S.A., through its subsidiaries, rents and manages real estate and hotels properties composed of office buildings, apartments with services, luxury hotels and hotel residences, it also develops real estate projects as promoter.

ORCO PROPERTY GROUP S.A. prepares consolidated accounts, which can be obtained at the registered office.

NOTE 2 - ACCOUNTING PRINCIPLES, RULES AND METHODS

2.1 Basis of preparation – Going concern

The annual accounts are prepared in conformity with generally accepted accounting principles and in agreement with the laws and regulations in force in the Grand-Duchy of Luxembourg.

2.1.1 Going concern

In determining the appropriate basis of preparation of the annual accounts, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

2.1.2 2008 results

In the year ended December 31, 2008, the Company made a loss of EUR 240,5 million. The loss for the current year has caused the Company to breach one of its bond covenant, which mean that the bond become repayable on demand (see note 11(3)).

2.1.3 "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 March 25, 2009 with the Paris Commercial Court ("Tribunal de Commerce de Paris"). The same day, the Court rendered a judgement opening the "Procédure de Sauvegarde" for Orco Property Group SA, the Group's parent company, and Vinohrady S.à r.l., 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. 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 this procedure, the management of the Company will have additional time to restore the Company's financial health and to advance the discussions which have already started with the Company's financial partners.

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
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December 31, 2008

Within the framework of this procedure, the Company has taken a full range of measures which coupled with the expected positive impact of the many projects underway, should allow the Company to emerge from economic crisis.

2.1.4 Restructuring plan prepared by management

The Sauvegarde procedure provides a legal time frame for the implementation of the restructuring plan of the Company 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 the Company. Therefore, the necessary actions to return to the Company to profit are implemented. The actions include: selling non core businesses, restructuring of the issued bond debts, improving margins through a cost reduction programme (reduction of opex and capex), ...

Together with Grant Thornton, the Company has prepared a cash flow forecast plan which shows a treasury situation which would 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. Furthermore as specified in note 24 solutions where the equity of the Company can be increased by injection of fresh cash are also studied.

2.1.5 Risks and uncertainties on the ability of the Company to continue as a going concern

The Company'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 Company 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 Company 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 Company) has the unilateral power to impose a new repayment schedule to the bondholders.

The financial performance of the Company is also dependent upon the wider economic environment in which the Company and its subsidiaries operate. 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. 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 32 Million of assets.

2.1.6 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 annual accounts 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 Company'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 Company can continue its operations in the foreseeable future and, accordingly, have formed a judgement that it is appropriate to prepare annual accounts upon a going concern basis.

2.2 Conversion of foreign currencies

The company maintains its accounting records in Euro (EUR) and the balance sheet and the profit and loss account are expressed in this currency.

During the financial year the acquisitions and sales of tangible and intangible assets, equity participations and securities held as fixed assets as well as income and charges in currencies other than EUR are converted into EUR at the exchange rate prevailing at the transaction dates.

At the balance sheet date, the acquisition price of the tangible and intangible assets, equity participations and securities held as fixed assets expressed in another currency than the EUR remains converted at the historical exchange rate. All other assets and liabilities expressed in a currency other than EUR are revalued at the closing rate. Unrealised gains and losses on those revaluations are recorded in the profit and loss account under interest payable and similar charges.

2.3 Intangible and tangible fixed assets

Intangible and tangible assets are recorded at the acquisition price and are depreciated on a straight-line basis over their estimated service life.

2.4 Financial assets

Financial assets are valued individually at their acquisition cost or nominal value (for loans). Should a permanent diminution in value occur in the value of a participation, a security held as fixed assets or a loan, its carrying value will be reduced to recognise the decline. The reduction in the carrying value will be reversed should the reasons for the reduction no longer exist.

2.5 Debtors

Loans and advances other than financial fixed assets are valued at their nominal value. A value adjustment is carried out when the estimated realisable value is lower than the nominal value.

2.6 Transferable securities

Transferable securities are valued at the lowest of their acquisition price or market value at the balance sheet date. The acquisition price includes the purchase price and the ancillary fees. The valuation is made individually and without any compensation between individual unrealized gains and losses. The market value is based on the latest available quote on the valuation day for transferable securities listed on a stock exchange or the last available net asset value for investment funds.

2.7 Provisions for liabilities and charges

Provisions to be constituted in order to cover the foreseeable risks and charges are examined by the Board of Directors at the end of each accounting year by taking into account the prudence principle. The provisions constituted during the preceding periods are reviewed and reversed if they are no more

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
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December 31, 2008

necessary.

2.8 Non-convertible bonds and convertible bonds

Bonds and convertible bonds are recorded at their reimbursement value. Where the amount repayable is greater than the amount received, the difference is shown as an asset under the caption "Prepayment and accrued income" and is written off over the period of the bonds on a linear basis under the caption "Interest payable and similar charges". Financing fees linked to the issuance of those bonds are also recorded in "Prepayment and accrued income" and are amortised through the profit and loss account over the period of the bonds under the caption "Interest payable and similar charges".

2.9 Financial instruments

The company may enter into financial instruments such as options, swaps or foreign exchange contracts to cover its currency or interest rate risks or the ones of its subsidiaries. Financial instruments are valued at fair value based on valuation techniques. Unrealised losses are recorded under the caption "Other provisions", unrealised gains are not recorded.

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
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December 31, 2008

NOTE 3 - INTANGIBLE AND TANGIBLE ASSETS

	Intangible assets EUR	Tangible assets EUR
Acquisition price, beginning of year	72.000,00	2.138.795,38
Additions for the year	-	32.913,89
Disposals for the year	-	(1.550.174,00)
Acquisition price, end of year	72.000,00	621.535,27
Accumulated depreciation, beginning of year	(33.183,33)	(532.330,06)
Depreciation for the year	(38.816,67)	(33.419,11)
Reversals for the year	-	505.863,04
Accumulated depreciation, end of year	(72.000,00)	(59.886,13)
Net value, end of year	-	561.649,14

NOTE 4 - FINANCIAL ASSETS

Financial assets consist of equity participations acquired or created by ORCO PROPERTY GROUP S.A., and loans and advances to companies in which the company holds an interest.

The movements of the year are as follows:

	Shares in affiliated undertakings EUR	Loans to affiliated undertakings EUR	Securities held as fixed assets EUR	Guarantee deposit and similar EUR	Other loans EUR	Total EUR
Gross book value, at the beginning of the year	395.338.151,55	377.612.035,50	67.147.629,64	-	2.086.109,50	842.183.926,19
Additions for the year	99.123.722,23	93.598.578,12	959.124,00	200.000,00	1.400.000,00	195.281.424,35
Disposals for the year	(39.487.787,27)	(24.904.111,52)	(37.000.000,00)	-	(2.086.109,50)	(103.478.008,29)
Gross book value, at the end of the year	454.974.086,51	446.306.502,10	31.106.753,64	200.000,00	1.400.000,00	933.987.342,25
Value adjustments at the beginning of the year	(355.035,26)	(439.575,75)	(1.135.227,97)	-	-	(1.929.838,98)
Depreciation for the year	(104.354.939,00)	(93.404.888,00)	(1.454.171,91)	-	-	(199.213.998,91)
Reversal	-	-	-	-	-	-
Value adjustments at the end of the year	(104.709.974,26)	(93.844.463,75)	(2.589.399,88)	-	-	(201.143.837,89)
Net book value, at the end of the year	350.264.112,35	352.462.038,35	28.517.353,76	200.000,00	1.400.000,00	732.843.504,36

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
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December 31, 2008

Loans to affiliated undertakings

Loans to affiliated undertakings are divided into two categories: operating loans and equity loans.

Loans bear interest rate of 8%. The maturity date of the loans is 2020.

The Board of Directors of the Company is of the opinion that a few affiliated undertakings of the Company are permanently impaired as at December 31, 2008 and that the ability of these undertakings to reimburse the loans granted to them by the Company is seriously compromised. Therefore, all loans to affiliated undertakings with a negative net equity as at December 31, 2008 are value adjusted to the highest amount between zero and the net assets of each concerned affiliated undertaking as at December 31, 2008.

The value adjustments for the year are as follows:

Company	Country	Loan EUR	Accrued Interest EUR	Impairment EUR	Net Receivable EUR
1. Sportovní, a.s.	Czech Republic	5 823 805	473 676	-473 767	5 823 714
CEREM, s.a.	Luxembourg	23 705 046	1 956 438	-24 760 123	901 361
Čertův Ostrov, a.s.	Czech Republic	10 643 176	666 536	-10 825 965	483 747
Endurance Hospitality Asset, s.à.r.l.	Luxembourg	91 077	5 574	-91 691	4 960
Hagibor Office Building, a.s.	Czech Republic	19 289 212	1 774 074	-16 266 902	4 796 385
IPB Real, s.r.o.	Czech Republic	1 364 236	9 244	-595 055	778 425
Máchova - Orco, a.s.	Czech Republic	715 402	57 443	-660 037	112 807
Office II Invest, s.a.	Luxembourg	617 595	-	-327 941	289 654
Orco Property Management, a.s.	Czech Republic	2 186 409	205 735	-2 003 088	389 056
Orco Adriatic d.o.o.	Croatia	2 366 862	180 357	-2 425 686	121 533
Orco Enterprise, Sp. z o.o.	Poland	5 010 489	-	-554 895	4 455 594
Orco Logistic, Sp. z o.o.	Poland	6 474 347	-	-3 154 037	3 320 310
Orco Poland, Sp. z o.o.	Poland	1 448 582	-	-972 250	476 332
Orco Razvoj, d.o.o.	Croatia	930 000	82 215	-69 806	942 409
ORCO Residence, s.r.o.	Slovakia	1 117 576	285 411	-1 402 987	0
Orco Russian Retail, s.a.	Luxembourg	16 416 682	936 805	-17 353 487	0
Orco Strategy, Sp. z o.o.	Poland	97 907	-	-75 388	22 519
TQE Asset, a.s.	Czech Republic	15 715 867	745 791	-11 391 783	5 069 875
		114 014 270	7 379 299	-93 404 888	27 988 681

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
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December 31, 2008

Securities held as fixed assets

The Company holds 3.018.147,82 units of the Endurance Real Estate Fund for Central Europe, a mutual investment fund launched by the Company in 2005, for an acquisition price of EUR 31.106.753,64, detailed as follows:

	Number of units	NAV as at 30/09/2008 (last calculation) EUR	Acquisition cost EUR	Value adjustments EUR	Carrying value EUR
Office sub-fund	2.122.603,05	10,41	22.698.593,00	(602.295,25)	22.096.297,75
Residential sub-fund	895.544,77	7,17	8.408.160,64	(1.987.104,63)	6.421.056,01
			31.106.753,64	(2.589.399,88)	28.517.353,76

On September 29, 2008, unitholders of Hospitality sub-fund have decided the liquidation of the sub-fund and the distribution of all the shares issued by Hospitality sub-fund's subsidiaries to the unitholders according to the proportion of their participation in the Hospitality sub-fund.

On September 30, 2008, the Company as unitholder of 88,10% of units issued by Hospitality sub-fund has received 110 shares out of the 125 shares issued by Endurance Hospitality Assets S.à r.l. and 110 shares out of the 125 shares issued by Endurance Hospitality Finance S.à r.l..

The Company has booked a realised loss of EUR 1.933.124,92 on the liquidation of the Hospitality sub-fund corresponding to the difference between acquisition cost of EUR 37.000.000,00 and the actual value of the investment at the liquidation date.

Guarantee deposit and similar

The Company has paid EUR 200.000,00 as guarantee deposit to KBC Bank N.V. for a cash pooling agreement between all bank accounts opened by the Company with other banks from KBC Bank's group.

Other loans

The Company has granted a loan amounting EUR 1.400.000,00 to the company Vignette Investissements S.à r.l. as agreed by both parties in the Share Pledge Agreement signed on December 29th, 2008 for the sale of 10% of business share of company MMR Management s.r.o.. Loan bear interest rate of 5% and its maturity date is December 31st, 2015 (see note 23).

Affiliated undertakings

The Board of Directors of the Company is of the opinion that a few affiliated undertakings of the Company are permanently impaired as at December 31, 2008. Therefore, all shares in affiliated undertakings with their net equity significantly lower than their acquisition cost as at December 31, 2008, are value adjusted to the highest amount between zero and the net equity of each concerned affiliated undertaking as at December 31, 2008.

Undertakings in which the Company holds at least 20% in their share capital are detailed in the table on the following page.

In accordance with article 67 (3) (a) of the law dated December 19, 2002, the Company is not presenting the capital and reserves and the profit and loss of its subsidiaries which are included in the consolidated financial statements of the Company available on the website www.orcogroup.com.

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS

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For the year ended December 31, 2008
(in EUR)

Participations are detailed as follows:

Company	Country	Local currency	% held	Acquisition cost 31/12/2008 '000 EUR	Acquisition cost 31/12/2007 '000 EUR	Purchased / Acquired in 2008 '000 EUR	Sold / Liquidated in 2008 '000 EUR	Value adjustment in prior years '000 EUR	Value adjustment in 2008 '000 EUR	Net book value in 2008 '000 EUR
1.Sportovní a.s.	Czech Republic	CZK	100%	1,130,37	1,130,37	-	-	-	(1,130,37)	-
Americka 1 a.s.	Czech Republic	CZK	100%	1,567,54	1,567,54	-	-	-	(386,77)	1,180,77
Americka 33 a.s.	Czech Republic	CZK	100%	344,84	344,84	-	-	-	-	344,84
Americka - Orco a.s.	Czech Republic	CZK	100%	780,29	780,29	-	-	-	-	780,29
Americka Park, a.s.	Czech Republic	CZK	100%	1,877,57	1,877,57	-	-	-	-	1,877,57
Anglicka 26 s.r.o.	Czech Republic	CZK	100%	308,05	308,05	-	-	-	-	308,05
Ariah Kft	Hungary	HUF	100%	3,189,74	3,189,74	-	-	-	-	3,189,74
BBC - Brno City Center, a.s.	Czech Republic	CZK	100%	8,491,44	9,272,03	-	(780,59)	-	-	8,491,44
Belgicka-Na Kozacce s.r.o.	Czech Republic	CZK	100%	1,206,49	1,206,49	-	-	-	-	1,206,49
Beta Development, s.r.o.	Czech Republic	CZK	100%	7,11	7,11	-	-	-	(7,11)	-
Bubenska 1 a.s.	Czech Republic	CZK	100%	987,21	-	987,21	-	-	-	987,21
Brno Centrum s.r.o.	Czech Republic	CZK	100%	831,59	831,59	-	-	-	-	831,59
Bubny development, s.r.o.	Czech Republic	CZK	100%	21,261,47	21,261,47	-	-	-	-	21,261,47
Capellen Invest, s.a.	Luxembourg	EUR	100%	2,182,64	698,76	1,483,88	-	(2,182,64)	-	-
Central European Real Estate Management S.A. (CEREM)	Luxembourg	EUR	100%	31,00	31,00	-	-	-	(31,00)	-
Certuv ostrov a.s.	Czech Republic	CZK	100%	70,48	70,48	-	-	-	(70,48)	-
City Gate, s.r.o.	Slovakia	SKK	100%	8,695,05	8,695,05	-	-	-	(1,414,49)	7,280,56
CWM 35 Kft	Hungary	HUF	100%	21,116,10	21,116,10	-	-	-	(6,576,95)	14,539,15
Development Doupovská, s.r.o.	Czech Republic	CZK	100%	2,391,82	2,391,82	-	-	-	-	2,391,82
Diana Development Sp. Z o.o.	Poland	PLN	0%	-	3,343,17	-	(3,343,17)	-	-	-
Diana Property sp zoo	Poland	PLN	100%	776,65	-	776,65	-	-	-	776,65
Endurance Hospitality Asset, sárl	Luxembourg	EUR	88,10%	11,01	-	11,01	-	-	(11,01)	-
Endurance Hospitality Finance, sárl	Luxembourg	EUR	88,10%	11,01	-	11,01	-	-	-	11,01
Endurance Real Estate Management Company, s.a.	Luxembourg	EUR	100%	125,00	125,00	-	-	-	-	125,00
Enor hungary kft	Hungary	HUF	100%	1,93	-	1,93	-	-	-	1,93
Etoile d'or s.a.	Luxembourg	EUR	0%	-	524,00	-	(524,00)	-	-	-
Hagibor Office Building, a.s. (ex Orco Realty a.s.)	Czech Republic	CZK	100%	65,05	65,05	-	-	-	(65,05)	-

ORCO PROPERTY GROUP S.A.
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December 31, 2008

Company	Country	Local currency	% held	Acquisition cost 31/12/2008 '000 EUR	Acquisition cost 31/12/2007 '000 EUR	Purchased / Acquired in 2008 '000 EUR	Sold / Liquidated in 2008 '000 EUR	Value adjustment in prior years '000 EUR	Value adjustment in 2008 '000 EUR	Net book value in 2008 '000 EUR
IPB Real Reality as	Czech Republic	CZK	100%	10,59	-	10,59	-	-	(3,59)	7,00
IPB Real sro	Czech Republic	CZK	100%	500,48	-	500,48	-	-	(500,48)	-
Izabella 62-64 Kft	Hungary	HUF	0%	-	4,052,87	-	(4,052,87)	-	-	-
Jeremiášova Invest s.r.o.	Czech Republic	CZK	100%	2,321,50	2,281,00	40,50	-	-	(1,026,49)	1,295,01
Jihobychodni Mesto as	Czech Republic	CZK	75%	25,637,86	-	34,188,42	(8,550,52)	-	-	25,637,86
Kosic s.a.r.l.	Luxembourg	EUR	50%	10,297,50	10,497,50	-	(200,00)	-	(572,88)	9,724,62
Londýnska 26, a.s.	Czech Republic	CZK	100%	232,92	232,92	-	-	-	-	232,92
Londýnska 39, s.r.o.	Czech Republic	CZK	100%	1,139,53	1,139,53	-	-	-	(1,007,97)	131,56
Londýnska 41, s.r.o.	Czech Republic	CZK	100%	359,57	359,57	-	-	-	-	359,57
Luxembourg Plaza, a.s. (ex: ORCO Property, a.s.)	Czech Republic	CZK	0%	-	7,010,66	-	(7,010,66)	-	-	-
M&O SP Zoo	Poland	PLN	100%	307,19	-	307,19	-	-	-	307,19
Machova-Orco, a.s.	Czech Republic	CZK	100%	1,176,66	1,176,66	-	-	-	(1,176,66)	-
Manesova 28, a.s.	Czech Republic	CZK	100%	2,626,76	2,626,76	-	-	-	(1,256,71)	1,370,05
Medec 36 Kft	Hungary	HUF	100%	1,858,88	1,858,88	-	-	-	(1,858,88)	-
Megaleir as	Czech Republic	CZK	100%	1,256,64	-	1,256,64	-	-	(312,28)	944,36
MMR Management, s.r.o.	Czech Republic	CZK	90%	5,67	6,30	-	(0,63)	-	-	5,67
N W D C Company spol. s r.o.	Czech Republic	CZK	51%	599,29	599,29	-	-	-	-	599,29
Na Porci, a.s. (ex: Orco Development a.s.)	Czech Republic	CZK	100%	3,585,55	3,585,55	-	-	-	(2,500,93)	1,084,62
Nad Petruskou, s.r.o.	Czech Republic	CZK	100%	364,83	364,83	-	-	-	-	364,83
Nové Medlanky	Czech Republic	CZK	100%	6,005,61	-	6,005,61	-	-	-	6,005,61
Nupaky a.s.	Czech Republic	CZK	100%	2,107,78	2,107,78	-	-	-	-	2,107,78
Oak Mill, a.s.	Czech Republic	CZK	99,97%	1,385,26	1,385,26	-	-	-	(593,63)	791,63
Office II Invest sa	Luxembourg	EUR	50,32%	15,60	-	15,60	-	-	(15,60)	-
Onset a.s.	Czech Republic	CZK	100%	2,671,73	1,561,51	1,110,23	-	-	(120,29)	2,551,44
OPG Russia Srl	Luxembourg	EUR	0%	-	31,00	-	(31,00)	-	-	-
Orco Adriatic d.o.o.	Croatia	HRK	100%	2,73	2,73	-	-	-	(2,73)	-
Orco Bucharest	Romania	ROL	96%	3,26	3,26	-	-	(3,26)	-	-
ORCO Budapest Rt.	Hungary	HUF	100%	3,050,38	3,050,38	-	-	(351,77)	-	2,698,61
Orco Russian Retail S.A. (ex: Orco Capital, s.a.)	Luxembourg	EUR	100%	31,00	31,00	-	-	-	(31,00)	-
Orco Commercial Sp. z o.o.	Poland	PLN	100%	199,77	199,77	-	-	-	-	199,77

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS

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December 31, 2008

Company	Country	Local currency	% held	Acquisition cost 31/12/2008 '000 EUR	Acquisition cost 31/12/2007 '000 EUR	Purchased / Acquired in 2008 '000 EUR	Liquidated in 2008 '000 EUR	Sold / Liquidated in 2008 '000 EUR	Value adjustment in prior years '000 EUR	Value adjustment in 2008 '000 EUR	Net book value in 2008 '000 EUR
Orco Construction Sp. z o.o.	Poland	PLN	75%	1,549,49	8,83	1,540,66	-	-	-	-	1,549,49
ORCO Croatia s.a.	Luxembourg	EUR	0%	-	31,00	-	(31,00)	-	-	-	-
ORCO Development Kft.	Hungary	HUF	100%	70,18	70,18	-	-	-	-	(66,99)	3,19
ORCO Development Slovakia	Slovakia	SKK	100%	1,000,79	4,97	995,82	-	-	-	-	1,000,79
Orco Development Sp. z o.o.	Poland	PLN	75%	337,74	337,74	-	-	-	-	-	337,74
Orco Enterprise Sp. z o.o.	Poland	PLN	100%	737,28	25,39	711,89	-	-	-	(737,28)	-
ORCO Estate Slovakia	Slovakia	SKK	100%	4,97	4,97	-	-	-	-	-	4,97
Orco Estate Sp. z o.o.	Poland	PLN	100%	700,11	26,22	673,89	-	-	-	-	700,11
ORCO ESTATE, s.r.o.	Czech Republic	CZK	100%	885,26	885,26	-	-	-	-	-	885,26
Orco Financial Services, s.r.o.	Czech Republic	CZK	100%	35,44	35,44	-	-	-	-	-	35,44
Orco Germany s.a.	Luxembourg	EUR	56.79%	97,515,11	97,515,11	-	-	-	-	(7,055,61)	90,459,50
Orco Hotel Development Sp. z o.o.	Poland	PLN	0%	-	2,91	-	(2,91)	-	-	-	-
ORCO Hungary Kft.	Hungary	HUF	100%	583,45	583,45	-	-	-	-	(388,64)	194,81
Orco Idea Sp. z o.o.	Poland	PLN	100%	13,08	13,08	-	-	-	-	-	13,08
ORCO Investment Kft.	Hungary	HUF	100%	8,120,22	120,18	8,000,04	-	-	-	(8,045,15)	75,07
ORCO INVESTMENT, a.s.	Czech Republic	CZK	100%	1,651,09	65,05	1,586,04	-	-	-	-	1,651,09
Orco Logistic Sp. z o.o.	Poland	PLN	100%	13,08	13,08	-	-	-	-	(13,08)	-
Orco Marine, d.o.o.	Croatia	HRK	100%	27,50	27,50	-	-	-	-	-	27,50
Orco Poland Sp. z o.o.	Poland	PLN	100%	399,03	399,03	-	-	-	-	(399,03)	-
Orco Praga, s.r.o.	Czech Republic	CZK	75%	933,18	933,18	-	-	-	-	-	933,18
Orco Prague, a.s.	Czech Republic	CZK	100%	5,097,08	545,54	4,551,53	-	-	-	(2,849,87)	2,247,21
Orco Project Management, s.r.o.	Czech Republic	CZK	0%	-	1,396,01	-	(1,396,01)	-	-	-	-
Orco project kft	Hungary	HUF	100%	1,93	-	1,93	-	-	-	-	1,93
Orco Project Sp. z o.o.	Poland	PLN	100%	700,99	700,99	-	-	-	-	-	700,99
Orco Blumentalska s.a. (ex. Orco Project, s.r.o.)	Slovakia	SKK	100%	2,979,86	5,21	2,974,66	-	-	-	-	2,979,86
Orco Projekt, d.o.o.	Croatia	HRK	100%	2,75	2,75	-	-	-	-	-	2,75
Orco Property Management, a.s.	Czech Republic	CZK	100%	121,46	121,46	-	-	-	-	(121,46)	-
Orco Property Sp. z o.o.	Poland	PLN	75%	3,597,16	1,503,36	2,093,80	-	-	-	-	3,597,16

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
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December 31, 2008

Company	Country	Local currency	% held	Acquisition cost 31/12/2008 '000 EUR	Acquisition cost 31/12/2007 '000 EUR	Purchased / Acquired in 2008 '000 EUR	Sold / Liquidated in 2008 '000 EUR	Value adjustment in prior years '000 EUR	Value adjustment in 2008 '000 EUR	Net book value in 2008 '000 EUR
Orco Razvoji, d.o.o.	Croatia	HRK	100%	27,50	27,50	-	-	-	(27,50)	-
Orco Residence, s.r.o.	Slovakia	SKK	100%	5,18	5,18	-	-	-	(5,18)	-
Orco Residential Sp. z o.o.	Poland	PLN	100%	1,321,60	1,321,60	-	-	-	-	1,321,60
ORCO Slovakia	Slovakia	SKK	100%	4,97	4,97	-	-	-	-	4,97
Orco Strategy Sp. z o.o.	Poland	PLN	100%	99,38	99,38	-	-	-	(99,38)	-
ORCO Vagyongazdálkodó Kft	Hungary	HUF	100%	1,001,90	1,001,90	-	-	-	(256,36)	745,54
Orco Vinohrady a.s.	Czech Republic	CZK	100%	338,42	338,42	-	-	-	-	338,42
Orco Vision Sp. z o.o.	Poland	PLN	100%	13,08	13,08	-	-	-	-	13,08
ORCO Yugoslavia	Serbia	CSD	100%	5,00	5,00	-	-	-	-	5,00
ORCO Property doo (ex Orco Zagreb)	Croatia	HRK	100%	2,80	2,80	-	-	-	-	2,80
Orco-Molcom B.V.	Netherlands	EUR	70%	51,408,61	51,408,61	-	-	-	(51,408,61)	-
Pachtúw Palác s.r.o.	Czech Republic	CZK	100%	7,424,41	7,424,41	-	-	-	(6,872,74)	551,67
Paneli Estates, s.r.o.	Czech Republic	CZK	100%	-	-	10,42	(10,42)	-	-	-
První Kvintum Praha a.s.	Czech Republic	CZK	100%	2,760,22	2,760,22	-	-	-	-	2,760,22
Residence Belgická, s.r.o.	Czech Republic	CZK	0%	-	1,234,79	-	(1,234,79)	-	-	-
Residence Masaryk, a.s.	Czech Republic	CZK	100%	1,558,96	1,558,96	-	-	-	-	1,558,96
Réway 10 Kft	Hungary	HUF	0%	-	872,95	-	(872,95)	-	-	-
Salinoko Ltd	Cyprus	USD	0%	-	11,456,70	-	(11,456,70)	-	-	-
Seattle, s.r.o.	Czech Republic	CZK	100%	1,261,42	1,261,42	-	-	-	(26,07)	1,235,35
Suncani HVAR	Croatia	HRK	47,56%	82,190,51	66,834,60	15,355,91	-	-	-	82,190,51
Theonia Entreprises company ltd	Cyprus	USD	100%	13,930,64	-	13,930,64	-	-	-	13,930,64
T-O Green Europe a.s.	Czech Republic	CZK	100%	904,19	904,19	-	-	-	-	904,19
TQE Asset, a.s.	Czech Republic	CZK	100%	300,00	300,00	-	-	-	(300,00)	-
Vinohrady s.a r.l. (ex ORCO Paris)	France	EUR	100%	7,62	7,62	-	-	-	-	7,62
Viterra Česká, s.r.o.	Czech Republic	CZK	100%	2,689,00	2,689,00	-	-	-	(2,689,00)	-
Viterra Development Polska sp. z o.o.	Poland	PLN	99,99%	9,309,38	9,309,38	-	-	-	-	9,309,38
Yuli Kft	Hungary	HUF	100%	5,828,73	5,828,73	-	-	-	-	5,828,73
Záhřebska 35.s.r.o.	Czech Republic	CZK	100%	286,30	286,30	-	-	-	(137,00)	149,30
				454,974,09	395,338,15	99,134,14	(39,498,21)	(355,03)	(104,354,94)	350,264,11

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
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For the year ended December 31, 2008
(in EUR)

NOTE 5 – DEBTORS

Debtors can be detailed as follows:

	2008	2007
Receivable from Endurance Fund or its subsidiaries (1)	449.487,30	16.755.852,15
Amounts owed by affiliated undertakings	24.803.880,19	5.282.522,80
Loans granted to third parties	530.888,03	10.189.525,17
Loans granted to management (note 20)	277.800,00	850.000,00
Interests receivable	37.414,44	1.697.138,38
VAT receivable	555.132,43	341.727,63
Other debtors	1.723.860,65	4.748.028,16
	<u>28.378.463,04</u>	<u>39.864.794,29</u>

(1) Receivable from Endurance Fund or its subsidiaries are mainly composed of the sale proceeds of participations to the Fund.

NOTE 6 - TRANSFERABLE SECURITIES

	Own shares	Own bonds	Orco Germany shares and warrants EUR	Other securities	Total
	EUR	EUR		EUR	EUR
Gross book value, at the beginning of the year	15.157.939,53	6.666.145,14	4.171.968,24	4.962.256,24	30.958.309,15
Additions for the year	4.093.741,22	16.080.422,33	1.373.397,84	14.887.706,04	36.435.267,43
Disposals for the year	(8.063.829,05)	(2.078.277,75)	(113.321,32)	(18.448.591,49)	(28.704.019,61)
Gross book value, at the end of the year	<u>11.187.851,70</u>	<u>20.668.289,72</u>	<u>5.432.044,76</u>	<u>1.401.370,79</u>	<u>38.689.556,97</u>
Value adjustment, at the beginning of the year	(2.977.194,47)	(87.153,29)	(668.688,24)	(678.214,68)	(4.411.250,68)
Depreciation for the year	(7.396.304,21)	(14.253.575,87)	(3.013.251,46)	(917.621,30)	(25.580.752,84)
Reversal for the year	-	-	-	678.214,68	678.214,68
Value adjustment, at the end of the year	<u>(10.373.498,68)</u>	<u>(14.340.729,16)</u>	<u>(3.681.939,70)</u>	<u>(917.621,30)</u>	<u>(29.313.788,84)</u>
Accrued interest, at the end of the year	-	416.952,92	-	-	416.952,92
Net book value, at the end of the year	<u>814.353,02</u>	<u>6.744.513,48</u>	<u>1.750.105,06</u>	<u>483.749,49</u>	<u>9.792.721,05</u>

As at December 31, 2008, the valuation of the transferable securities on the basis of the latest available market price amounts to EUR 10.949.546,48. Own shares, own bonds and Orco Germany shares and warrants classified as transferable securities are securities held for trading.

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
- continued -
December 31, 2008

NOTE 7 - PREPAYMENTS AND ACCRUED INCOME

These accounts consist of premium and issuing fees on bonds, amortized over the bonds' life (see note 11).

	2008 EUR	2007 EUR
Gross amount at the beginning of the year	19.364.239,30	8.249.966,43
Increase for the year	-	11.114.272,87
Decrease for the year	-	-
Gross amount at the end of the year	<u>19.364.239,30</u>	<u>19.364.239,30</u>
Amortization at the beginning of the year	(3.902.522,29)	(1.511.586,73)
Amortization of bond's premium for the year ⁽¹⁾	(710.731,03)	(527.496,85)
Amortization of issuing fees for the year ⁽¹⁾	(2.173.692,50)	(1.863.438,71)
Amortization at the end of the year	<u>(6.786.945,82)</u>	<u>(3.902.522,29)</u>
Net amount at the end of the year	<u>12.577.293,48</u>	<u>15.461.717,01</u>

⁽¹⁾ The amortization of bond's premium and the issuing fees are accounted for in the profit and loss account as interest payable and similar charges.

NOTE 8 - CAPITAL ACCOUNTS

	Share capital	Share premium	Legal reserve	Own shares reserve	Profit brought forward
	EUR	EUR	EUR	EUR	EUR
Balance at 01.01.2008	44.430.855,40	395.761.782,50	3.213.567,47	12.180.745,06	26.172.377,10
Capital increases	438.995,20	4.762.562,56	-	-	-
Appropriation of 2007 profit	-	-	-	-	17.865.934,58
- Dividend	-	-	-	-	(14.892.091,20)
- Legal reserve	-	-	893.296,73	-	(893.296,73)
- Other reserves	-	-	-	(11.366.392,04)	11.366.392,04
Balance at 31.12.2008	<u>44.869.850,60</u>	<u>400.524.345,06</u>	<u>4.106.864,20</u>	<u>814.353,02</u>	<u>39.619.315,79</u>

As at December 31, 2008, the subscribed and fully paid-up capital of EUR 44.869.850,60 (2007: EUR 44.430.855,40) is represented by 10.943.866 shares (2007: EUR 10.836.794) with a par value of EUR 4,10 per share. During the year, the Company has increased its capital by 107.072 shares for an amount of EUR 438.995,20 corresponding to the part of dividend distribution decided by shareholder's on April 24, 2008 paid in shares.

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.

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
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December 31, 2008

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 20,720 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.

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.

In accordance with Luxembourg companies' law, the company is required to appropriate a minimum of 5% of the annual net profit to a legal reserve until the balance of such reserve equals 10% of the issued capital. The legal reserve is not available for distribution.

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
- continued -
December 31, 2008

NOTE 9 - PROVISIONS FOR TAXES AND OTHER TAXES

The company is fully taxable in Luxembourg for income tax and net wealth tax. Final tax assessments have been received until and including the fiscal year 2004 for income tax and for net wealth tax. The amount of EUR 698.855,40 (2007: EUR 485.940,90) represents the provisions, net of the advances paid, constituted for the fiscal years for which the final assessments have not yet been issued.

In accordance with the fiscal law, profits are not subject to income taxes as they are composed of non taxable profits on sales of equity participations realised in accordance with the conditions provided by law in matters of holding period. The amount of EUR 509.221,00 (2007: EUR 2.294.432,00) shown in the profit and loss account under the item "other taxes" corresponds to the estimates charge for net wealth tax for EUR 457.205,00 (2007: EUR 212.000,00) and the tax paid on capital increases occurred during the year for EUR 52.016,00 (2007: EUR 2.082.432,00).

Since the fiscal year 2006 and in accordance with the Tax Pooling agreed by Tax Authorities on January 4, 2007, the Company is fiscally consolidated with some of its Luxemburgish subsidiaries held at 100%.

As at December 31, 2008, Orco Property Group S.A. as consolidated fiscal entity included the companies listed below:

- Orco Property Group S.A. (Fiscal number: 1993 2209 554);
- Orco Hotel Group S.A. (Fiscal number: 2003 2209 832) (Liquidated on December 2007);
- Orco Hotel Collection S.A. (Fiscal number: 2004 2201 228) (Liquidated on December 2007);
- Central Europe Real Estate Management S.A. (Fiscal number: 2004 2212 645);

NOTE 10 - FINANCIAL INSTRUMENTS

Unrealised losses on financial instruments totalling EUR 7.560.589,47 (2007: EUR 3.980.723,20) are included in "Other provisions".

The Company has entered into currency rate options detailed as follows:

Buy / Sell	Type	Currency	Position	Type	Currency	Strike	Expiry	Market Value (EUR)
Buy	Call	USD	30.875.000	Put	CZK	21,60	29/10/2009	} (281.562,90)
Sell	Put	USD	30.875.000	Call	CZK	21,60	29/10/2009	
Buy	Call	USD	30.875.000	Put	CZK	21,60	29/10/2009	
Sell	Call	EUR	12.000.000	Put	HUF	275,00	16/12/2009	(287.580,00)
Buy	Put	EUR	12.000.000	Call	HUF	275,00	16/12/2009	83.676,00
Sell	Call	EUR	24.000.000	Put	HUF	275,00	16/12/2009	(1.608.576,00)
Buy	Put	EUR	24.000.000	Call	HUF	275,00	16/12/2009	685.080,00
								<u>(1.127.400,00)</u>
Sell	Call	CZK	700.000.000	Put	USD	4,00	30/09/2009	0,00

The Company also entered into foreign exchange contracts detailed as follows:

Maturity date	Currency purchased	Currency sold	Amount	Market Value (EUR)
31/12/2011	PLN	EUR	23.765.000	(4.837.683,35)
				<u>(4.837.683,35)</u>

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
- continued -
December 31, 2008

The Company also entered into an interest rate swap detailed hereafter:

Maturity date	Currency	Amount	Floating interest rate to receive	Fixed rate	Market Value (EUR)
30/09/2011	EUR	4.235.897,51	2,991	4,08	(168.714,66)
07/10/2011	EUR	35.855.929,41	5,339	3,91	(1.145.228,44)
					<u>(1.313.943,10)</u>

NOTE 11 - BONDS

As at December 31, 2008 and 2007, bonds are detailed as follows:

		Interest rate %	Maturity	Amount EUR	
2008					
	<u>Convertible bonds</u>				
	928.513	5,5	2012	24.169.193,39	(1)
	1.086.956	1	2013	171.376.599,94	(4)
				<u>195.545.793,33</u>	
	<u>Non convertible bonds</u>				
	30	6MPrior+2,2%	2011	11.139.992,57	(3)
	73.273	4,5	2010	50.272.605,30	(2)
	119.544	2,5	2014	181.814.476,04	(5)
				<u>243.227.073,91</u>	
				<u>438.772.867,24</u>	
2007					
	<u>Convertible bonds</u>				
	928.513	5,5	2012	24.169.193,39	(1)
	1.086.956	1	2013	149.999.928,00	(4)
				<u>174.169.121,39</u>	
	<u>Non convertible bond</u>				
	140	6MPrior+2,2%	2011	52.592.036,06	(3)
	73.273	4,5	2010	50.272.605,30	(2)
	119.544	2,5	2014	177.855.022,45	(5)
				<u>280.719.663,81</u>	
				<u>454.888.785,20</u>	

ORCO PROPERTY GROUP S.A.
NOTES TO THE ACCOUNTS
- continued -
December 31, 2008

(1) 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:

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.

(2) Bond 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.

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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 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

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December 31, 2008

(3) CZK 1.4 billion floating rate bond ("Czech Bond").

The Board of Directors decided on February 2nd, 2006 to issue a floating rate bond without preferential subscription rights with the following terms:

Nominal	CZK 1.400.000.000
Number of bonds	140
Nominal value	CZK 10.000.000
Issue price	CZK 10.000.000
Issue date	February 3, 2006
Nominal interest rate	6M Pribor + 2,20%
Final redemption date	February 3, 2011
ISIN	CZ0000000195
Listing	Prague Stock Exchange

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.

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 CZK 1.100.000.000,00 corresponding to an amount of EUR 38.742.000,00 converted with historical exchange rate (28,39) and to an amount of EUR 44.799.551,10 converted with exchange rate as at redeemed dates which leads to a realised loss of EUR 6.057.551,10.

The bond is converted into Euro at year-end rate which leads to an unrealised loss of EUR 573.992,57.

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December 31, 2008

(4) Convertible bonds 2006-2013.

Within the authorized capital, the Board of Directors decided on May 15th, 2006 to issue a convertible bond without preferential subscription rights with the following terms:

Nominal	EUR 149.999.928,00
Number of bonds	1.086.956
Nominal value per bond	EUR 138,00
Issue price per bond	EUR 138,00
Issue date	June 1, 2006
Normal Redemption	the non converted bonds will be reimbursed in cash on May 31, 2013
Redemption price if not converted	138,62% of par at EUR 191,29; i.e. a gross yield-to-maturity of 5,65%
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
Nominal interest rate	1%
Conversion ratio	One new share for one bond
ISIN	FR0010333302
Listing	Euronext - Paris

As at December 31, 2008, no bond had been converted.

The terms of the issuance of the bond include a redemption premium to be paid by the Company if the bonds are not converted. This premium is amortized as interest over the lifetime of the bond. The net premium as at December 31, 2008 amounts to EUR 36.547.213,30.

(5) Bond with repayable subscription warrants ("OBSAR 2"). Within the authorized capital, the Board of Directors decided on March 7, 2007 to issue a bond with repayable subscription warrant (OBSAR) with the following terms:

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

The bond will be reimbursed for a total amount of EUR 205.625.243,52; the redemption premium of EUR 30.624.781,92 is depreciated over the period following the gross yield to maturity calculation (7,383%) and the net premium as at December 31, 2008 amounts to EUR 23.810.767,48.

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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

NOTE 12 - OTHER CREDITORS

	2008 EUR	2007 EUR
Amounts due related to acquisitions of equity participations	2.584.114,14	1.746.458,64
Accrued interests on bonds	5.425.982,36	6.327.790,87
Other creditors	1.143.788,71	5.547.876,41
	<u>9.153.885,21</u>	<u>13.622.125,92</u>

NOTE 13 - VALUE ADJUSTMENTS

Value adjustments in respect of tangible and intangible fixed assets:

	2008 EUR	2007 EUR
Value adjustments on intangible assets (note 3)	38.816,67	14.400,00
Value adjustments on tangible assets (note 3)	33.419,11	301.397,94
	<u>72.235,78</u>	<u>315.797,94</u>

Value adjustments in respect of current assets:

	2008 EUR	2007 EUR
Value adjustments on other debtors	<u>500.000,00</u>	<u>1.711.486,39</u>

ORCO PROPERTY GROUP S.A.
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Value adjustments in respect of financial fixed assets and of transferable securities held as current assets:

	2008 EUR	2007 EUR
Value adjustments on shares in affiliated undertakings (note 4)	104.354.939,00	-
Value adjustments on loans to affiliated undertakings (note 4)	93.404.888,00	-
Value adjustments on financial fixed assets (note 4)	1.454.171,91	1.135.227,97
Value adjustments on transferable securities net of release (note 6)	24.902.538,16	4.411.250,68
	<u>224.116.537,07</u>	<u>5.546.478,65</u>

NOTE 14 - STAFF COSTS

The Company employed in average during the year:

Employees: 3
Management: 1

NOTE 15 - OTHER INTEREST PAYABLE AND CHARGES

Other interest and charges are principally composed of interest payable on bonds for EUR 37.503.783,13 (2007: EUR 14.500.090,31), the amortization of bond's premium and issuing fees of bonds for EUR 2.884.423,53 (2007: EUR 2.390.935,56) and realized and unrealized losses on foreign exchange for EUR 20.224.683,99 (2007: EUR 7.516.743,38).

NOTE 16 - NET TURNOVER

The net turnover of the Company is made of fees linked to services rendered to the subsidiaries of the Company and to the Endurance Real Estate Fund.

NOTE 17 - INCOME FROM PARTICIPATING INTEREST IN AFFILIATED UNDERTAKINGS

	2008 EUR	2007 EUR
Gains realised on sales of equity participations	14.877.724,47	15.691.775,30
Profit due to the liquidation of equity participations.	(6.814.497,37)	22.742.468,48
Reversal of value adjustment on equity participations	-	110.000,00
Dividends received from equity participations	24.185.887,52	5.334.956,27
	<u>32.249.114,62</u>	<u>43.879.200,05</u>

ORCO PROPERTY GROUP S.A.
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Income and expenses from participating interest in affiliated undertakings are detailed by company as follows:

Company	Country	Net result on sales of equity participations			Profit / losses due to the liquidation of equity participations	Dividend received from equity participations
		Net Booked Value	Proceeds From Sales	Net Result		
Jihovýchodní Město, a.s.	Czech Republic	-8 550 513,25	7 675 700,00	-874 813,25	-	-
Orco Estate, s.r.o.	Czech Republic	-	-	0,00	-	266 108,96
Seattle, s.r.o.	Czech Republic	-	-	0,00	-	755 847,21
Orco Praga, s.r.o.	Czech Republic	-	-140 769,00	-140 769,00	-	-
Viterra Česká, s.r.o.	Czech Republic	-	-	0,00	-	45 851,89
Residence Belgická, s.r.o.	Czech Republic	-1 234 785,44	3 745 701,00	2 510 915,56	-	60 846,36
MMR Management, s.r.o.	Czech Republic	-629,84	1 400 000,00	1 399 370,16	-	418 497,59
Americká - Orco, a.s.	Czech Republic	-	-	0,00	-	73 948,52
Londýnská 41, s.r.o.	Czech Republic	-	-	0,00	-	413 951,29
Anglická 26, s.r.o.	Czech Republic	-	-	0,00	-	71 933,79
Americká 33, a.s.	Czech Republic	-	-	0,00	-	16 694 525,30
Luxembourg Plaza, a.s.	Czech Republic	-7 010 659,35	21 640 002,59	14 629 343,24	-	-
Londýnská 26, a.s.	Czech Republic	-	-	0,00	-	84 578,36
Mánesova 28, a.s.	Czech Republic	-	-	0,00	-	100 946,33
Brno Centrum, s.r.o.	Czech Republic	-	-	0,00	-	366 520,19
Orco Financial Services, s.r.o.	Czech Republic	-	-	0,00	-	193 093,78
T-O Green Europe, a.s.	Czech Republic	-	-	0,00	-	28 993,48
BBC - Brno City Center, a.s.	Czech Republic	-	-	0,00	-	162 795,56
Jeremiášova Invest s.r.o.	Czech Republic	-	-	0,00	-	958 066,53
Paneli Estates, s.r.o.	Czech Republic	-10 420,59	10 421,00	0,41	-	-
And 70 Kft	Hungary	-	662,00	662,00	-	-
Révay 10 Kft.	Hungary	-872 953,03	1 027 869,55	154 916,52	-	-
Izabella 62-64 Kft.	Hungary	-4 052 868,26	2 440 188,93	-1 612 679,33	-	-
OPG Russia Sarl	Luxembourg	-	-	0,00	-56 392,04	-
ORCO Croatia s.a.	Luxembourg	-	-	0,00	612 311,02	-
Etoile d'or s.a.	Luxembourg	-523 998,56	1 099 785,91	575 787,35	-	-
Orco Development Sp. z o.o.	Poland	-	-159 806,00	-159 806,00	-	222 227,66
Orco Property Sp. z o.o.	Poland	-	-1 697 463,00	-1 697 463,00	-	-
Orco Construction Sp. z o.o.	Poland	-	-712 555,00	-712 555,00	-	-
Viterra Development Polska sp.z.o.o.	Poland	-	-	0,00	-	3 267 154,72
Orco Hotel Development Sp. z o.o.	Poland	-2 910,00	297 670,00	294 760,00	-	-
Diana Development Sp. Z o.o.	Poland	-2 580 964,19	3 091 019,00	510 054,81	-	-
Salinoko Ltd	Cyprus	-	-	0,00	-7 370 416,35	-
		-24 840 702,51	39 718 426,98	14 877 724,47	-6 814 497,37	24 185 887,52

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**NOTE 18 - INCOME FROM OTHER TRANSFERABLE SECURITIES AND FROM LOANS
FORMING PART OF FINANCIAL FIXED ASSETS**

Income from affiliated undertakings EUR: 33.144.128,80 (2007: EUR 22.006.611,98) is composed of interest on loans granted to subsidiaries (see note 4).

Other income is detailed as follows:

	2008 EUR	2007 EUR
Interest on bonds held as fixed assets	100.638,32	139.202,71
Interest on bonds held as transferable securities	780.764,16	298.950,27
Dividends from transferable securities	727.555,80	-
Gain realised on sales of other securities	274.638,97	1.803.492,91
	<u>1.883.597,25</u>	<u>2.241.645,89</u>

NOTE 19 - GUARANTEES AND COMMITMENTS

Stock-options:

As of December 31, 2008, the non exercised stock options plans granted to employees or directors are summarized as follows:

	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 in 2007 / 2006	-	-	-	-
Exercised (stock options 2005)	-	-	35,00	(17.500)
Exercised (stock options 2006)	-	-	75,60	(287.000)
Outstanding at the end of the year	75,60	63.000	75,60	63.000

The outstanding stock options can be exercised from March 3rd, 2007 until March 3rd, 2012 at an exercise price of EUR 75, 60.

No new stock option plan has been granted in 2008.

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Other commitments:

1. The shares representing the equity participations are pledged in favour of banks in order to guarantee loans granted to subsidiaries. The company also guarantees loans granted by banks to subsidiaries in order to finance the acquisition of properties.

The guarantees granted to financial institutions remain fully valid until complete reimbursement of credits.

2. 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.
3. Capital commitments:

Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Company subscribed to the two 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).

NOTE 20 - REMUNERATION AND LOANS GRANTED TO DIRECTORS

The remunerations paid to the Directors in that capacity for the year 2008 amount to KEUR 193 (2007: KEUR 387) and are included as staff costs in the profit and loss account.

The company did not grant any pension plans to the Directors.

NOTE 21 - REALISED LOSS ON TANGIBLE AND FINANCIAL FIXED ASSETS

	2008 EUR	2007 EUR
Loss on tangible fixed assets	57.877,43	-
Loss on sales of securities held as fixed assets	689.903,21	-
Loss on liquidations of equity investments	1.933.124,92	
	<u>2.680.905,56</u>	<u>-</u>

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NOTE 22 - REALISED LOSS ON TRANSFERABLE SECURITIES

	2008 EUR	2007 EUR
Loss realised on sales of own shares	6.193.313,25	853.063,57
Loss realised on sales of other transferable securities	6.990.927,43	-
	<u>13.184.240,68</u>	<u>853.063,57</u>

In 2008, the Company has proceeded as part of the previous program to the repurchase of 67.184 (2007: 182.568) own shares for a total amount of EUR 4.093.741,22 (2007: EUR 18.704.999,99) and to the subsequent sale of 90.720 (2007: 33.166) own shares for a total amount of EUR 1.870.515,80 (2007: EUR 2.693.996,00), generating a net realised loss on sales amounting to EUR 6.193.313,25 (2007: loss of EUR 853.063,57).

On 31st December 2008, the Company has 125.866 own shares for which the net book value is EUR 814.353,02 (see note 6).

NOTE 23 – RELATED PARTY TRANSACTIONS

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 October 1st, 2004 (and addendum dated October 30, 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 receives an annual remuneration of KEUR 500. In 2008, no bonus has been paid by the Company to Mr. Jean François Ott or to Ott&Co S.A..

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.

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 February 22, 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 March 1st, 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 December 31, 2008, this loan (nominal and interests) has not been repaid, but is expected to be repaid before June 30, 2009.

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On February 16, 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company. This loan had a maturity date on March 1st, 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 13,333 new shares of Orco Germany S.A.. As of today, this loan has not been repaid.

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.

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. for an amount of EUR 12,104,862. At the same date, Ott&Co S.A. held 1,069,537 OBSAR 2's redeemable warrants. 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 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. Such warrants have been delivered to CEREM in January 2008.

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.

NOTE 24 - SUBSEQUENT EVENTS

24.1 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 Vobruba 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.

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December 31, 2008

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, an Orco subsidiary, - which acts as director of the Company - and of Mr. Arnaud Bricout from his mandate as director of the Company. Furthermore, as of April 30, 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 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.

24.2 "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 SA and Vinohrady SARL for a renewable six months period. 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.

24.3 Exclusive negotiations with Colony Capital

On April 29, 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 €25 million by the end of the second quarter 2009 and by an additional amount of up to €140 million at the end of the Safeguard Procedure (Procédure de Sauvegarde) opened by the Paris Commercial Court (Tribunal de Commerce) on March 25, 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 June 22, 2009, to a reserved €25 million share capital increase. Orco Property Group would issue 5 million shares with share warrants, at a subscription price per share of €5. Four share warrants would be attached to each new share allowing CoLOG to acquire 20,000,000 new shares at a subscription price of €7 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.

Mr. Le Guerneve, the Court Administrator appointed by Paris Commercial Court on March 25, 2009, has been informed of this negotiation.

24.4 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 April 30, 2009. It deliberated and decided to postpone the ordinary general meeting convened to approve the corporate audited annual accounts and audited consolidated accounts ending on December 31st, 2008, and the statutory elections".

24.5 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..