Orco Property Group S.A

Société Anonyme

Annual Report 2009

2009 Management Report

Orco Property Group
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2009 AnnualManagement Report
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1. Introduction

1.1 Activities

ORCO Property Group is a real estate investor and developer established in Central and Eastern Europe since 1991, currently owning and managing assets of approximately EUR1.8 Billion. The Group has a strong local presence in its main markets, namely Prague, Berlin, Warsaw and Budapest, as well as offices in Bratislava, Moscow and Hvar (Croatia). Throughout its 19 years of existence, ORCO invested close to EUR 2.5 Billion, delivered 178 development projects, sold over 5000 flats, built & purchased over 128 properties, established partnerships with 33 banks and raised EUR 1 Billion on the capital markets.

Commercial Investment Properties

The Group's main business is holding and asset managing commercial investment properties. ORCO's vocation is:

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

The Group's strategy assumes a certain rotation of its portfolio with mature assets sold in order to reinvest the proceeds in other assets with economic potential.

Development

Property development includes:

- The development of office and commercial buildings for resale to third parties or to the Commercial investment properties division,
- Residential property development.

ORCO is among market leaders for residential property development in the Czech Republic and in Poland. The strong team presence of ORCO in the Central European capitals and local reputation are among the Group's major assets.
Over the last ten years, the Group has built 5,000 flats and completed 178 projects. It has the benefit of significant landholdings to fuel its operations over the coming years.

1.2. Group structure

ORCO Property Group SA ('OPG' or 'the Company' or ' the Group') is the Luxembourg based holding company of the Group and is the listed entity of the Group (or 'ORCO') in Paris, Prague, Budapest and Warsaw. OPG also has a registered branch in France.
OPG manages 187 operating and property companies composing the Group. OPG holds:

- Fully owned subsidiaries in Central European countries (Czech Republic, Poland, Hungary, Slovakia etc.) that are fully integrated in terms of management;
- Majority shareholdings in listed groups such as ORCO Germany S.A. (in partnership with MSREF V, a property fund managed by Morgan Stanley) and Suncani Hvar in Croatia (in partnership with Croatia's privatisation fund), both entities being listed respectively in Frankfurt and Zagreb;

- Joint venture investments in MaMaison Hotels & Apartments (a hotel company jointly held with AIG) or major property development projects such as Kosik (with General Electric) or Molcom in Russia (with the Akopyan Group).

OPG has also invested in five residential property development projects (Zlota 44, Jozefoslaw, Szczecin, Pragua, Benice) in partnership with Endurance Fund.

OPG's mission is essentially to perform strategic management of the overall property portfolio and provide finance via the allocation of equity and loans to its subsidiaries holding property assets. Its recurring revenues are thus the management fees, dividends and interests received from its subsidiaries. The dividends and interests are financed by subsidiaries' operating profits which are in turn resulting from their property rental income and (a major component) the income from sales of developed property assets. OPG also receives income from the sale of its investments.

The Group's development projects are financed in part by OPG and in part by recourse to bank financing underpinned by fifteen years of relationships of trust developed by OPG's Directors with local banks. OPG provides the banks with guarantees for some of its subsidiaries' financial commitments.

In order to provide its own share of finance for its subsidiaries' operations, OPG has raised funds by means of bond issues.

2. Market environment

2.1 Office markets: lower investment and take-up coupled with remaining catch-up potential

- **Freeze of investment market in H1 followed by signs of recovery in second half**

During the first half of 2009, investment in Central Europe was strongly affected by a slump in both prices and volume of transactions due to:

- Tightening of bank financing ;
- Freeze of the investment market (turnover of only EUR 500 Million) ;
- Upward movement in yields.

Over the second half of 2009, property markets improved in the U.K and stabilized in France and Germany fuelled by the greater availability of financing, which was made possible by the revival of the market for property bonds ("*Pfandbriefe").* Central and Eastern European (CEE) markets followed this trend: according to CB Richard Ellis, an overall EUR 2 Billion were invested in 90 transactions in the CEE region. As a consequence, this recovery stopped the outward movement in yields where changes were minimal in almost all CEE markets and segments.

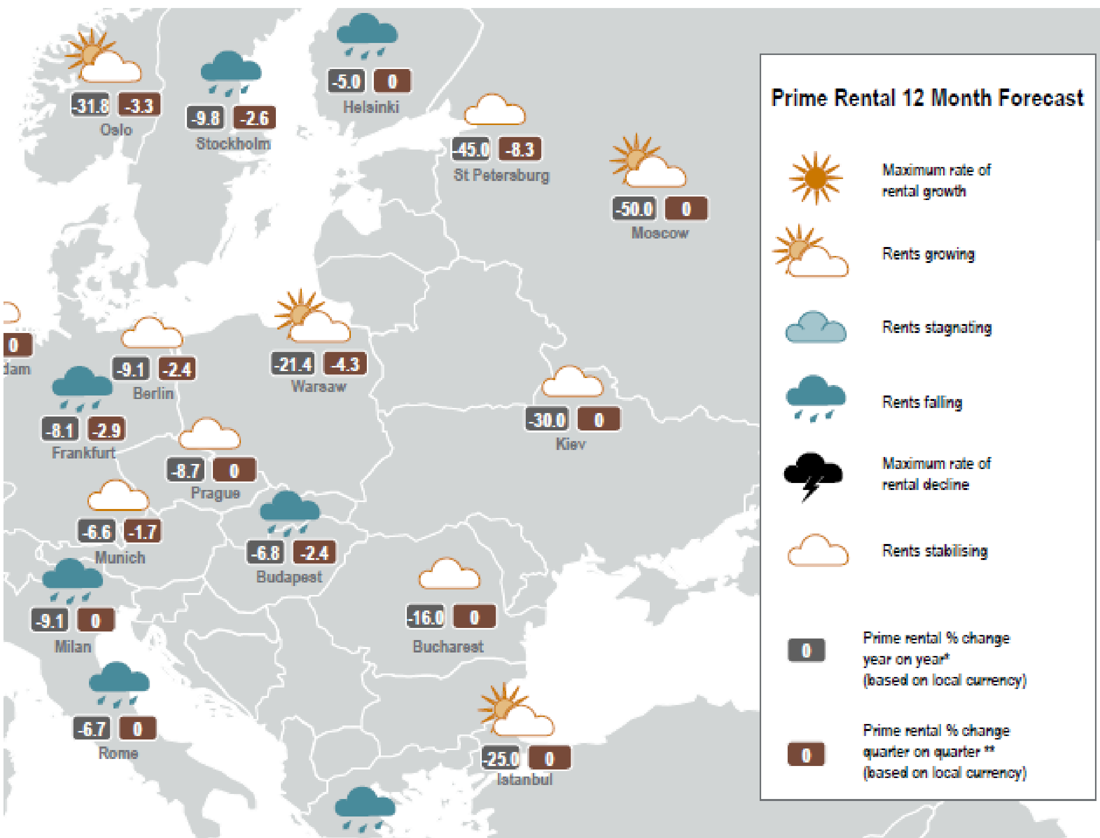
- **Slower absorption and rental growth with remaining catch-up potential**

As a consequence of global economic slowdown, market fundamentals were affected as well by a decline in both absorption and rents:

- In terms of rents, Moscow saw the greatest slump over 2009 (-50%), Budapest recorded a 6.8% decrease to be compared with 8.7% in Prague, 9.1% in Berlin and 21.4% in Warsaw;

- In terms of take-up : it showed a strong resiliency in our major office markets with 445,000 sqm of take up in Berlin, only down by 10% compared to 2008 and 245,000 sqm of take-up in Prague, only down by 7% compared to 2008;

- Looking ahead over the next 12 months, Jones Lang LaSalle's latest Office Weather Forecast shows a more positive outlook.



Source: Jones Lang LaSalle Office Weather Forecast

Over the long run, Central European cities benefit from an important catch-up potential in terms of office space per capita in comparison with their European peers. Prague (2.2 sqm per capita), Warsaw (1.8 sqm per capita) and Budapest (1.2 sqm per capita) are still in need of more modern office space when compared with Western cities like Paris (4.4 sqm per capita), Central London (3 sqm per capita) or Vienna (5.9 sqm per capita).

- **Warsaw** is expected to be the city which can attract the biggest influx of companies in the next five years according to Cushman & Wakefield's latest European Cities Monitor. The survey of some of Europe's largest companies, reveals that 36 of them have chosen Warsaw as the city they intend to expand to (up from 28 in 2008), while 35 companies named Moscow (down from 44 in 2008).

- **Prague** is still regarded as the leading business city in the CEE region. The Czech capital lies in 21st place (down from 19th).

The tables below illustrate the evolution of prime yields in the main CEE capital cities during the first semester:

Office prime yields *Source: JLL*	Prime yield Q2 2009	Prime yield Q4 2008	Variation during period (in %)
Prague	7.25%	7.00%	4%
Warsaw	7.25%	7.00%	4%
Budapest	7.75%	7.25%	10%
Berlin	5.50%	5.50%	0%

Retail prime yields Source: JLL	Prime yield Q2 2009	Prime yield Q4 2008	Variation over period (in%)
Prague	7%	6.50%	8%
Warsaw	7%	6.50%	8%
Budapest	7%	6.50%	8%

The tables below illustrate the evolution of prime yields in the main CEE capital cities during the second semester:

Office prime yields Source: JLL	Prime yield Q4 2009	Prime yield Q2 2009	Variation over period (in%)
Prague	7.25%	7.25%	0%
Warsaw	7.25%	7.25%	0%
Budapest	7.75%	7.75%	-3%
Berlin	5.50%	5.50%	0%

Retail prime yields Source: JLL	Prime yield Q4 2009	Prime yield Q2 2009	Variation over period (in%)
Prague	7%	7%	0%
Warsaw	7%	7%	0%
Budapest	7%	7%	0%

2.2 Residential markets: resiliency and importance of capital cities

Residential markets in 2009 have been resilient compared to commercial markets. They were affected by the global economic downturn as demand decreased due to economic uncertainty and tightening of mortgage lending. This triggered a decrease in prices and forced developers to adapt their pipelines.

However the long-term fundamental demand for residential equipment in CEE remains strong owing to the structural lack of modern stock and the change of living standards. Capital cities - with skilled workforce and economic growth - fare better than smaller regional cities.

- **Prague** displayed more resilient figures than Czech Republic with 7,400 completed dwellings (+16.9% YoY), and 6400 started (-8% YoY) (source : Czech Statistical Office);

- **In Warsaw**, 19,000 dwellings were delivered (-0.4% YoY) while 26,000 were started (-15% YoY) (source : Polish Statistical Office) showing again the relative resiliency of the capital city.

2.3 Impact of market conditions on ORCO Property Group

ORCO Property Group was impacted in several ways by the above described market conditions:

- The freezing of liquidity over the first half had consequences on the disposal/arbitrage program of the group that had to be scaled down;

- The upward movements in yields coupled with lower rents impacted the valuations of both the investment properties and developments;

- The delayed demand for residential forced to postpone several launch of projects and focus on selling the existing stock;

- The contrasted situations of residential developments propelled a refocus on projects located in capital cities (Warsaw, Prague) while stopping developments in secondary regional cities.

3. The Group restructuring: 2009 achievements

3.1. Difficulties in the first quarter led ORCO to enter into 'sauvegarde'

3.1.1. Difficulties in the first quarter of 2009

The difficult market conditions in early 2009 had a strong negative impact on ORCO's operations, causing a reduction of the Group's cash inflows, compromising its scheduled debt repayment and financing for the initially planned investment, and a fall of real estate values.

Besides, ORCO's standing during the crisis has been weakened due to its significant landholdings, generating no immediate revenue, and which development has been delayed by the economic crisis. Management estimates that the Group's major projects (Bubny, Leipziger, Zlota, Vaci etc.) development time has been doubled, adding three to four years. As the landholdings have been largely financed by bond issues, subject to maturities falling due in 2013-2014, the rescheduling of that debt in order to adapt it to the requirements of the new development cycle has been a priority of the Group's restructuring plan.

The Group's financing model, in particular its bond component, has thus been placed under strain with the appearance of a provisional gap between its liabilities –made of fixed maturities – and assets – from which the production of revenue has been delayed. It is for the purposes of remedying this gap that the Group requested in March 2009 the institution of sauvegarde proceedings in order to benefit of the time required to adapt its balance sheet structure to the new market conditions that had arisen.

3.1.2. OPG in 'sauvegarde procedure' (Safeguard Procedure)

Having reviewed all options, strategic and financial, ORCO Property Group's Board of Directors has decided in March 2009 to apply for the Company to benefit from a "Procédure de Sauvegarde", a French legal provision that enables a company, whose Center Main Interests are located in France, to pursue operations while protecting its business from creditors' claims for a limited period of time, to allow the Management to complete its restructuring plan,both financially and operationally.

The Commercial Court of Paris, in a judgment of 25th March 2009, opened the "Procédure de sauvegarde", a safeguard procedure. The maximum period during which a Company can operate under the "sauvegarde" is 18 months. Following the Company's request in September 2009, the safeguard procedure was extended for another six months (until 25th March 2010) and it was renewed on 10th March 2010 until 25th June 2010 so as to allow the circularisation of the Company's proposals to creditors.

Vinohrady SARL, a French subsidiary of OPG which provides Management services for the Company in France also obtained the extension of the 'sauvegarde' procedure, initiated at the same time as the OPG one.

During the "Sauvegarde period", all liabilities existing prior to the judgment pronouncement are frozen. This means that, interests on debts and bonds continue to be accrued based on contractual arrangements but the Company is exempted from repaying any liabilities until the end of the "Sauvegarde period".
The Sauvegarde procedure has provided a legal time frame for the implementation of:

- An operational restructuring plan of the Group that has enabled the Company to accelerate its transition to a leaner, more focused and more profitable ORCO.
- A financial restructuring plan made of
    - Bank debt restructuring at the subsidiaries level;
    - Bond debt rescheduling as part of the "Projet de Sauvegarde".

3.1.3 The Safeguard Plan Draft (« Projet de Plan de Sauvegarde »)

During the second "Sauvegarde period", the Management, together with its Receiver ("Administrateur Judiciaire"), Me Laurent Le Guernevé,have been preparing a safeguard plan draft which includes an outlook for the Company's upturn, modalities for operational restructuring, and debt restructuring proposals.

The plan has been circulated among creditors on 31 of March 2010 and will be presented to the "Court de Commerce de Paris" by the end of June 2010. Once the Court will have approved the Project, it will become the "plan de sauvegarde" (the Safeguard plan) which will be executed under the control of the Court de Commerce de Paris who will appoint a "commissaire à l'exécution" to that end.

3.2. A strategic and organizational refocus of the Group implemented in 2009

Prior to the financial restructuring of OPG described in chapter 5 hereafter, the Company's executive team had already committed the Group to a process of deep strategic, organizational and financial restructuring. The progress made throughout 2009 is summarized below.

In the first phase of its restructuring, the Management has selected and classified the assets it wished to retain on the basis of strict criteria and a profitability appraisal, as a response to its cash requirements. The sauvegarde proceedings have shielded the Group from forced sales at discounted prices which would otherwise have resulted in significant value losses.

ORCO's non-strategic businesses have been identified as follows: residential property investment (and the associated property rental business) of whose majority of assets have now been sold:

- property Management, sold in 2009;
- logistics /supply chain,
- hotel Management, in process of restructuring.

The Group has also decided not to develop its "Endurance" platform for third party asset Management. All these businesses, as well as support functions such as IT Management, may be disposed of in the years to come.
The Group's strategy involves focusing on its core businesses and geographical zones and has implied reorganisation based on business lines.

3. 2.1 Focus on commercial investment property

ORCO has developed a major business investing in office and commercial property leased to well-known multinationals such as Exxon Mobil, KPMG, McKinsey, Lovells, Estée Lauder, Honeywell, RFE/RL.

The business strategy is one of dynamic investment in assets with strong value creation potential such as the Berlin GSG portfolio. The Group targets underperforming and undervalued assets with potential which are then restructured (change of positioning or renovation) and managed on a new basis (in particular as regards the associated commercial strategy). Once assets have reached maturity (i.e. largely achieved their potential for value creation) the Company plans to sell them off to institutional investors.

More than half of the Group's assets as at December 2009 comprised such property generating recurring rental income, thereby providing the Group with stability as well as a certain degree of certainty as to its future cash flows.

In 2009 the pursuit of this policy of dynamic asset Management enabled the Group's Management to maintain the positive trend in the Company's revenues on a like for like basis.

The Company has retained the status quo as regards its hotel investment business comprising a 44% stake in the "MaMaison" Central European hotel portfolio (through owning 88% of vehicle owning 50% of the venture), that it created and then partially sold, and a 55% stake in Suncani Hvar in Croatia. In the medium term, the intention is to sell those assets no longer equating with the Group's strategy.

3.2.2 Focus on residential and commercial property development fuelled by the Group's existing landholdings

In Central and Eastern Europe, property development, involving acquiring sites and enhancing their value by constructing or renovating buildings before resale, has been a Group core business and the basis of its success. ORCO has the benefit, of significant experience and numerous achievements reflecting 18 years of market presence, 178 projects completed, 5,000 flats sold over the past ten years, 250 building permits obtained and almost EUR 2.5 Billion of investment in the sector since 1991.

The opportunity for both residential and office property remains very strong in Central Europe given the inadequacy of the existing stock (only 15.3% renewed since 1990, in Poland, for example) with the market. As a result, there remains high potential for value creation that ORCO is in a position to exploit.

Within the residential segment the level of activity has been maintained overall during the crisis. While forward sales substantially slowed down, there was no increase in unsold under construction or finished units (973 unsold units in 2008 versus 484 in 2009 in Czech Republic, 700 unsold units in 2008 versus 587 units) thus underlining both the core markets resilience and the quality of ORCO's products.

Within the commercial and office segment on the other hand, the lack of rental demand prevented the Group from reaching occupancy necessary to sell properties "fully let", thus lengthening the product cycle.

Property development remains an important business for ORCO given the strong cash flow it can generate. However it requires regular financing, which means that OPG has to reinvest part of the value created by the business in new projects that in turn generate cash after three to five years, thereby constantly renewing the potential for value creation.

In conclusion, the Management has identified three major competitive advantages of ORCO's development activity:

- Strong local presence (teams, reputation etc.) and exceptional results which mean that ORCO ranks as a brand leader in its core markets;
- Large landholdings in reserve, including assets with great potential such as the Bubny site (27 hectares in the centre of Prague);
- Renewed confidence in this business from the Group's banks.

3.2.3 Narrower geographical focus

During the course of 2009, ORCO's Management has considerably reduced the Group's geographical spread with the closure of a dozen branches in Central Europe and Germany, particularly in secondary towns where ORCO did not have critical size, and the scaling down of a number of other branches such as Bratislava or Budapest.

Property investment is now concentrated on Prague and Berlin where the Company has already proved its ability to create value. Budapest and Warsaw will be retained as secondary centers. In the case of Moscow, the Group has planned a progressive withdrawal over three years.

The Group's Management has also focused the residential property development business on ORCO's key markets: Prague and Warsaw. The underlying demand remains strong in both these cities and the departure of several players should reduce both supply and competition.

Commercial and office property development will be centered on the markets of Prague, Warsaw and Budapest.

3.2.4 Reorganization of the Group by business line

The strategic decision to concentrate operations on a limited number of businesses and cities has led the Group's Management to initiate a profound reorganization of operations by business line rather than by country. The two business lines are Development (including commercial and residential projects, as well as landbank Management) and Commercial Investment Properties (including rental portfolio and hospitality portfolio). The corporate Management functions are fulfilled from Paris office, while Luxembourg office, where the Company has its legal seat, keeps its administrative functions.

This reorganization of the Company's structure is intended to improve each business profitability as a result of specialization, but equally to achieve significant cost savings by eliminating the duplication of functions in each country and centralizing them within a single operating headquarter for each business line.

3.2.5 Closer integration of ORCO Germany SA ("OG") into OPG

The result of the restructuring described above has been to concentrate the Group's activity on commercial property investment and more particularly on Berlin given the scale of the GSG portfolio and its weight in ORCO's commercial portfolio. OPG's strategic medium-term priority has thus become to integrate OG more closely within OPG. The first stage of the process has involved the decision of capitalizing OPG's current account balance receivable from OG, thereby setting OPG's stake in OG to rise from 58.1% to 65% once a prospectus will have been approved in April 2010. The second stage has been the launch at the end of 2009 of an internal restructuring program aimed at increasing the efficiency of the Group, and particularly integrating more closely OG's and GSG management with ORCO's asset management team.
Over the medium term, OPG may also envisage to initiate negotiating restructuring of OG's bond issue or its conversion into OPG equity, thereby reducing the Group's overall indebtedness.

3. 3 In-depth financial restructuring in 2009

Along with the Group's business reorganization, the 'sauvegarde' plan to be presented to the Paris Commercial Court for approval before June 25, 2010, includes a financial restructuring component. The progress made in 2009 is summarized in the section below.

3.3.1 Organization based on a centralized treasury function

A financial reorganization has been implemented in Paris, under the stewardship of Nicolas Tommasini. It strengthens OPG's control of the Group's cash flows which managed on a "top-down", centralized basis. The emphasis is placed on OPG's cash requirements and upwardfeedback of financial information from wholly owned subsidiaries or joint ventures, as well as on the recovery of principal and interest of current loans receivables.

From now on, maintaining value will be controlled by OPG analyses and prioritizes the funding requirements of the subsidiaries and joint ventures.

The implementation of this process has helped the "Administrateur Judiciaire" (Receiver) to monitor the financial flows throughout the sauvegarde procedure.

3.3.2 Rigorous selection of investment projects

Group Management has drastically reduced the cash earmarked for investments by grading cash appropriations, together with stricter selection of real estate projects to be financed.

This move has resulted in a drop in invested amounts initially budgeted at EUR 630 Million to EUR 144 Million in 2009. The more advanced development programs, notably pre-leased or pre-sold, have been pursued as a priorities as they quickly generate positive cash flows.

It has been possible to resume or finalize programs financed either by banks' exclusive contribution (Klonowa Aleja, Sky Office) or by increased own contribution (Vaci 1, Paris Department Store). Furthermore, a certain number of projects are ready for launch with the backing of the banking partners, subject to pre-lease conditions.

3.3.3 Drastic cost-cutting plan

In addition to the office closures previously mentioned, OPG management has committed itself to a systematic cost-cutting plan which has already generated cost savings amounting to EUR 7.1 Million per annum.
At the end of December 2009, out of the Group's 2,151 employees, the Group's core activities (excluding the hotel business and logistics) cut their workforce from 778 as at December 2007 to 420 employees as at December 31, 2009 and are likely to continue reducing it to 300 by the end of 2010.

Running general expenses (excluding restructuring costs, the hotel business and logistics) dropped from EUR 104 Million in 2008 to EUR 87 Million in 2009, the target being set at EUR 60 Million by the end of 2010.

3.3.4 Renegotiation of bank debt at the subsidiaries level

The entire Group's bank debt is borne by OPG's subsidiaries in order to finance their projects.

As at 31 December 2009, the Group's total bank debt, contracted with 33 banks, was around EUR 1.109 Billion, broken down as follows:

- 39% (EUR 429 Million) for the property development/land reserve assets,
- 61% (EUR 680 Million) for investment assets generating rental income.

During the observation period, OPG management has successfully entered into major renegotiation of the Group's bank debt in order to adapt to the new conditions resulting from the crisis.

Firstly, OPG has been able to maintain a normal course of business under the "sauvegarde" proceedings; in particular, draw-downs on credit lines technically in breach (due to the drop in the valuation of assets) have been maintained, which enabled development projects to follow or resume their course (e.g. Vaci 1 or Paris Department Store in Budapest).

Over 35% of the Group's bank debt has been renegotiated in early 2009 by the Group Management, usually via extensions of maturity but also by increasing the amount of current lines.

Certain projects made difficult by the crisis were sold or are in the process of being sold under acceptable conditions as disposals were carried out in partnership with the banks, such as City Gate and Stein in Bratislava and Vysocany Gate in Prague. Quite exceptionally as regards the financial context and fragile situation of certain assets or subsidiaries, no mortgage guarantees or pledging of equities have been exercised.

The banking partners thus displayed their confidence in the Group's fundamentals and their backing of the projects undertaken by Management. This support is expected to be reinforced after the Court judgment on the "sauvegarde plan".

3.4. Improvement of Corporate Governance

Improvement of Corporate Governance has been a top priority of the restructuring. The Management reports significant progress made in 2009 in this area. In addition to the measures already implemented (accounts audited since 1991, asset portfolio assessed by DTZ, an independent expert), we should note that ORCO decided to implement in 2010 the best practices recommended by the European Public Real Estate Association ("EPRA"). OPG has been a member of EPRA since 2009, followed by major quoted real estate companies in Europe.
OPG has also significantly reorganized its managerial structure, including the Board of Directors, various control committees and the Management team. For more details on these changes, please refer to Corporate Governance chapter in this document.

4. Ten years outlook

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

4.1 Objectives

The Company's major objectives are:

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

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

- Restructured its balance sheet though debt repayment and further capital increase
- Managed its risk profile through portfolio and geographical diversification
- Secured a strong revenue stream, which is sustainable throughout various market cycles
- Fully capitalized on its potential (highly-skilled and experienced team, excellent market exposure, significant landholdings, strong rental portfolio).

4.2 Business plan assumptions

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

The business plan assumes:

- The valorization of existing assets and existing land as well as the development of new projects to create medium and long-term value, thus ensuring repayment in full of the bond debt;

- The implementation of a conservative strategy which stabilizes the Group on its land business platform and generates recurring income;

- The adjustment of the maturity of the Group's liabilities - primarily bond-based - to the Group income expectations, which have been postponed by the crisis.

The Company's business plan thus assumes continuing generating investment capacity whose equity flows, subject to the deferral can alone ensure the settlement of its liabilities. The required investment capacity can be fuelled by:

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

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

- A share capital increase subscribed by one or more new investor(s) and/or by the existing shareholders. In this respect, it should be noted that ORCO has considerable experience of raising capital in the market,
- Exercise of the existing share subscription options, whether spontaneously or under the Company's impetus.

Raising additional capital would be likely to enable – among others - the acquisition of new land reserves or new investment properties with upside, paving the way for greater prospects of growth for the development business than those forecasted in the business plan.

4.3 Implementation

The business plan is based on two main pillars:

- Commercial and Investment Properties: consists in the acquisition of existing assets with value-added potential ie high vacancy ratios, structural works requirements, and/or lease engineering potential. A full investment cycle is divided into three parts (i) acquisition : 2-3 years (ii) active asset management : 3-4 years (iii) maturity when 10-15% of the portfolio is disposed every year to redeploy capital in higher yielding and non-mature projects : 2-3 years;

- Development: consists acquisition of land, obtaining all administrative documents needed, construction, letting and /or sale of residential or commercial properties.

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

Phase 1: 2010- 2013:

- Finalization of current projects (both commercial and residential) and dynamic management of non-mature assets (reduction of vacancy, structural works, lease engineering) ;

- Sale of mature assets of the rental portfolio;

- Orderly sale of non-core activities;
- Sale of current residential stock;
- Investment of free cash in (i) development of the existing (mostly residential) land bank (ii) creation of a new Commercial and Investment Properties portfolio.

Phase 2: 2014- 2016:

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

Phase 3: 2017-2020:

- Commercial and Investment Properties: maturity/arbitrage/ sale phase for the portfolio of assets acquired in 2010-2015 (up to 15% for years 2018-2020). Selective re-investments of proceeds in new buildings to be managed with the Safeguard debt amortization;
- Residential and commercial development : same succession of 3-4 years phase of investment-development-sale as the previous phase;
- Bubny reaches its full potential with the combined effect of (i) the investments of the previous cycles that created the offer for 2017-2020 (ii) continued investments in Office, retail and residential, land development projects either directly or by the means of joint ventures.

5. The debt rescheduling plan

The debt rescheduling plan is a key component of the Group's overall restructuring plan. Under the sauvegarde proceedings, the Commercial Court has the ability to decide at its sole discretion whether to approve a rescheduling of liabilities up to 10 years.

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

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

5.1 Debt to bondholders

Between 2005 and 2007, OPG issued several bonds listed on various markets (referred to as "Bonds"). The holders of these bonds ("bondholders") represent the most important creditors of OPG.
During the preparation of the debt rescheduling proposal plan, the Company has been led to calculate the maximum amount that could be due to bondholders, including all reimbursements premium, 10 years of interests, no equitization or payment through the BSAR. This maximum bond liability that would be due over 10 years would amount to EUR 614.181.761.

Type of bond	Aggregate principal amount
Bond issue 18 November 2005	50 272 605,30 EUR
Bond issue 3 February 2006	300 000 000,00 CZK (10 991 024,00 EUR)
Bond issue 30 June 2005	24 169 193,39 EUR
Bond issue 17 May 2006	149 999 928,00 EUR
Bond issue 22 March 2007	175 000 461,60 EUR

NB. OG BSAR issue, issued by Orco Germany SA, is not part of the Sauvegarde restructuring limited to liabilities of OPG SA only.

The bonds are divided into two categories: Bonds with access to OPG equity and bonds without access to OPG capital.

Bonds without access to OPG equity

<u>Bond issue: 6 January 2006 (" **2011 Bonds**")</u>
Floating Rate Bonds
Issue date: 3 February 2006
Aggregate principal amount: CZK 300.000.000,00 (EUR 10.991.024,00 according to the EUR/CZK exchange rate applicable as of March 25, 2009)
Total recognized liability: EUR 16.385.454,16
Maturity date: 3 February 2011
Listed in bearer form on the secondary market of "Prague Stock Exchange" (ISIN: CZ0000000195)
Representative : Ceska Sporitelna
Applicable jurisdiction : Czech

<u>Bond issue: 30 June 2005 ("**Bonds 2012**")</u>
Convertible bonds into Suncani Hvar shares
Issue date: 30 June 2005
Aggregate principal amount: EUR 24.169.193,39

Total recognized liability: EUR 38.675.614,09
Maturity date: 30 juin 2012
Listed in bearer form on Euro MTF, Luxembourg (ISIN : XS0223586420)
Representative : Maître Benoît E. Diouf
Applicable jurisdiction: Luxembourg

Bonds providing access to OPG equity

<u>Bond issue : 14 November 2005 ("**Bonds 2010**")</u>
Bonds with warrants attached.
Issue date: 18 November 2005
Aggregate principal amount: EUR 50.272.605,30
Total recognized liability: EUR 83.296.221,63
Maturity date: 18 novembre 2010
Listed in nominative form on Eurolist market of Euronext Paris SA (ISIN: FR0010249599)
Representative : Mr Luc Leroi, replacing Mrs. Bertrand-Leroi
Applicable jurisdiction: Luxembourg

<u>Bond issue : 17 May 2006 ("**Bonds 2013**")</u>
Convertible bonds into OPG shares
Issue date: 1 June 2006
Aggregate principal amount: EUR 149.999.928,00
Total recognized liability: EUR 223.826.390,70
Maturity date: 31 mai 2013
Each bond was issued with 10 warrants attached; each warrant allowed conversion in exchange of one OPG share (BSA 2012).
These warrants are listed on Euronext Paris (ISIN: FR 0010333302)
Representative : Mr Luc Leroi, replacing Mrs. Bertrand-Leroi
Applicable jurisdiction: Luxembourg

<u>Bond issue : 22 March 2007 ("**Bonds 2014**")</u>
Bonds providing access to OPG capital based on attached warrants
Issue date : 28 March 2007
Aggregate principal amount: EUR 175.000.461,60
Total recognized liability: EUR 251.998.080,34
Maturity date: 28 mars 2014
Listed in nominative form on Euronext Bruxelles (ISIN : XS0291838992)
Warrants : each bond was issued with 15 warrants attached, each of them allowing conversion in exchange of one OPG share ("BSA 2014").
These warrants are listed on Euronext Bruxelles and Euronext Paris (ISIN: XS0290764728 and XSO291838992).
Instrument comprising one bond and five warrants are listed under ISIN XS0291840626.
Representative : Mr Luc Leroi, replacing Mrs. Bertrand-Leroi
Applicable jurisdiction: Luxembourg

5.2 Debt to other creditors

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

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

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

Intercompany creditors
Subject to verification and validation, they represent total liabilities of EUR 151.7 Million. The maturity of these loans is posterior to the duration of the plan de sauvegarde.

5.3 Summary of debt restructuring proposals presented to creditors throughout the saveguard period

Since the opening of the Sauvegarde period, the Company has aimed to restructure its bond debt by engaging in talks with the largest possible number of Bondholders. The Company appreciated the need to find a middle ground between bondholders' request and needs and proposed a mixed solution, consisting in an exchange of existing bonds for new convertible bond, new shares and new warrants.

This solution was proposed and rejected by the General Assembly of Bondholders held on the 15th September 2009 in Paris and the observation period was then subsequently extended for 6 additional months.

The major reason for rejecting the first proposed solution seemed to be the perceived compulsory entry to the Capital for Bondholders. That is why it has been contemplated to entice Bondholders could benefit from the "claims compensations" (pursuant to Bonds 2010 and Bonds 2014 conditions) which allow Bonds to be immediately due and used for exercise of warrants. This proposal had the advantage of being implementable on an individual basis, voluntary and therefore not binding. In January 2010, a majority of Bondholders of bonds 2010 and 2014 rejected the proposed resolution, thereby constraining the Bondholders, who had expressed the will, the ability to use their bonds for the exercise of warrants shares, which would have reduced OPG debt.

The Company has been prompted to develop and propose to its creditors, under the terms of the French Commercial Rules ("Code du Commerce") a draft plan based on, the term out of its debt repayment at a pace which corresponds to its business and market cycles, which are intrinsically tied to long cycles needed to create value in real estate.

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

The following debt rescheduling proposal is subject to the Paris Commercial Court Approval. An audience is scheduled to take place by end of June 2010.

5.4.1 Principle

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

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

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

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

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

- The maximum liability under each bond issue, inclusive of bonds' nominal amounts, repayment premium and all interest payable at the date of the judgment materialising the Plan and accruing throughout the duration of the Plan, assuming that no bonds with equity access are converted or surrendered in payment of the exercise price of share subscription options;

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

It is important to stress that, at the date of the judgment materializing the Plan, the average weighted maturity of the Group's bond issues as a whole will amount to three years.

ORCO PROPERTY GROUP

5.4.2 Repayment of the Bond debt in line with the Plan de Sauvegarde

Bonds providing no equity access (repayable in 2011 and 2012)

The bonds repayable in 2011 and 2012 do not provide access to OPG's share capital. The amount repayable in respect of these bonds is thus subject to no uncertainty and the annual amounts repayable under the Plan have been calculated on the basis of a recognized liability comprising the sum of the following items:

•The principal outstanding on the date of the judgment materializing the Plan;

•The interest payable at the date of the judgment materializing the Plan;

•All interest accruing throughout the duration of the Plan (calculated each year after adjustment for the progressive repayment of principal under the Plan)

Repayment Schedule of Bond 2011

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

Repayment Schedule of Bond 2012

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

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

The bonds issued in conjunction with share subscription options (repayable in 2010 and 2014)

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

Payments under the Plan have thus been calculated, for the bonds maturing in 2010 and 2014, on the basis of the recognized and certain liability for each year comprising the sum of the following items:

•The principal outstanding on the date of the judgment materializing the Plan;

•The interest payable at the date of the judgment materializing the Plan;

•All interest accruing from the date of the judgment materializing the Plan and due at the end of each applicable year;

•For the last year of the Plan, the repayment premium

The amount of recognized and certain liability thus increases year by year, for the bonds not subject to offset, given the continuing accrual of interest in favor of bondholders whose bonds remain outstanding (i.e. have not been offset).

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

Repayment Schedule of Bond 2010

Term Out	10/05/2009	10/05/2010	10/05/2011	10/05/2012	10/05/2013	10/05/2014	10/05/2015	10/05/2016	10/05/2017	10/05/2018	10/05/2019	10/05/2020
Outstanding amount		50 272 605	50 272 605	50 272 605	50 272 605	50 272 605	50 186 798	48 618 331	43 336 616	34 661 829	20 966 481	0
Recognition of newly unconditional repayment premium												10 054 521
Recognition of newly unconditional interests		2 758 107	2 262 267	2 262 267	2 262 267	2 262 267	2 262 267	2 258 406	2 187 825	1 950 148	1 559 782	943 492
Unconditional recognized liabilities		53 030 712	55 292 979	57 555 246	59 817 514	62 079 781	64 342 048	66 600 454	68 788 279	70 738 427	72 298 209	**83 296 222**
Amortization			*2%*	*5%*	*5%*	*5%*	*5%*	*5%*	*10%*	*14%*	*20%*	*29%*
Annuities based on unconditional recognized liabilities			1 105 860	2 877 762	2 990 876	3 103 989	3 217 102	3 330 023	6 878 828	9 903 380	14 459 642	21 240 093
Follow up of previous annuities on the unconditional recognized liabilities				45 245	158 359	271 472	384 585	496 849	590 713	721 555	795 489	10 724 400
Maximum annuities applicable on Bonds 2010			1 105 860	2 923 008	3 149 234	3 375 461	3 601 688	3 826 872	7 469 541	10 624 934	15 255 131	31 964 493
Annuity per Bond 2010			**15,09**	**39,89**	**42,98**	**46,07**	**49,15**	**52,23**	**101,94**	**145,00**	**208,20**	**436,24**

Repayment Schedule of Bond 2014

Term Out	10/05/2010	10/05/2011	10/05/2012	10/05/2013	10/05/2014	10/05/2015	10/05/2016	10/05/2017	10/05/2018	10/05/2019	10/05/2020
Outstanding amount	175 000 462	175 000 462	175 000 462	173 693 472	167 428 664	160 607 459	153 243 195	134 664 557	106 388 741	63 736 083	0
Recognition of newly unconditional repayment premium											30 625 081
Recognition of newly unconditional interests	9 253 449	4 375 012	4 375 012	4 375 012	4 342 337	4 185 717	4 015 186	3 831 080	3 366 614	2 659 719	1 593 402
Unconditional recognized liabilities	184 253 911	188 628 922	193 003 934	197 378 945	201 721 282	205 906 999	209 922 185	213 753 265	217 119 879	219 779 597	251 998 080
Amortization		*2,00%*	*5,00%*	*5,00%*	*5,00%*	*5,00%*	*5,00%*	*10,00%*	*14,00%*	*20,00%*	*29,00%*
Annuities based on unconditional recognized liabilities		3 772 578	9 650 197	9 868 947	10 086 064	10 295 350	10 496 109	21 375 327	30 396 783	43 955 919	64 198 170
Follow up of previous annuities on the unconditional recognized liabilities			87 500	306 251	521 080	711 572	883 341	1 034 392	1 245 647	1 356 456	31 756 396
Maximum annuities applicable on Bonds 2014		3 772 578	9 737 697	10 175 198	10 607 145	11 006 922	11 379 450	22 409 718	31 642 430	45 312 376	95 954 566
Annuity per Bond 2014		**31,56**	**81,46**	**85,12**	**88,73**	**92,07**	**95,19**	**187,46**	**264,69**	**379,04**	**802,67**

The convertible bonds maturing in 2013

The bonds maturing in 2013 provide access to OPG's share capital via a share conversion option provided for in the issue contract. The amounts of interest accruing after the date of conversion and of repayment premium, will thus remain uncertain until the date of expiry of the contractual conversion period (namely 15 May 2013).

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

Payments under the Plan have thus been calculated until 15 May 2013, for the bond issue maturing in 2013, on the basis of the recognized and certain liability for each year (with effect from the first year of the Plan) comprising the sum of the following items:

•The principal outstanding on the date of the judgment materializing the Plan;

•The interest payable at the date of the judgment materializing the Plan;

•All interest accruing from the date of the judgment materializing the Plan and due at the end of each applicable year.

The amount of recognized and certain liability thus evolves year by year, until 15 May 2013, based on the number of any bonds converted. Adjustments will be made each year, for payments made prior to 15 May 2013, in favor of bondholders not exercising their conversion rights and in order to recognize the ensuing full amount of their recognized and certain liability.

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

With effect from 15 May 2013, the amount of liability under the bonds maturing in 2013 is no longer subject to uncertainty and therefore reflects both the repayment premium and full amount of interest remaining to be accrued on the bonds that remain outstanding. From that date, the Plan payments have been calculated on the basis of a bond liability comprising the sum of the following items

•The principal outstanding on the date of the judgment materializing the Plan;

•The interest payable at the date of the judgment materializing the Plan;

•The sum of interest accruing from the date of the judgment materializing the Plan and until 15 May 2013, and accruing until the final year of the Plan (calculated for each applicable year on the outstanding principal after taking account of prior repayments under the Plan);

•The repayment premium

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

Repayment Schedule of Bond 2013

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

Modification of the basis of equity access

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

Special cases

Creditors benefiting from guarantees provided by OPG

The creditors benefiting from guarantees provided by OPG only have a conditional right to payment for so long as the debt of OPG's subsidiaries towards them has not become due. In the event of such a creditor claiming payment, during the period of performance of the Plan, of any sum become due by the main debtor and thereby by OPG, the said creditor would be eligible for the benefit of the Plan with effect from the applicable due date of payment.

Bearers of the share subscription options maturing in 2014

Certain bearers of the share subscription options maturing in 2014 have declared contingent receivables based on compensation that might be due in the event of any change in the Company's control.

But no such compensation is payable until any change in the Company's control has become effective. In the event of any bearer of the share subscription options maturing in 2014 claiming payment, during the period of performance of the Plan, of any sum become due in this respect, the said creditor would be eligible for the benefit of the Plan with effect from the applicable due date of payment.

Intercompany liabilities

Loans to OPG by subsidiaries are to be reimbursed in fine after the maturity of the Plan. The final repayment date of these loans is typically the 31st of December 2020.

5.4.3 Risk analysis, approval and materialization of the Plan

Risk analysis

The Board of Directors estimates that a rescheduling of its debt is highly probable within the safeguard framework.

The 'circularisation' (i.e. the written submission for consideration to creditors by the Court-appointed Creditor Representative) of proposals to creditors might lead to a negative opinion of the majority of the

Creditors about the Company proposals. However the 'circularisation' is consultative only, and the Court is able to judge a rescheduling without approval from creditors.

The above presented amortization schedules might be modified by the Paris Commercial Court, provided that the payment of annuities is possible under the Business Plan.

While deemed extremely unlikely given the financial situation of the Company, the quality of its restructuring plan and business plan, reviewed by the independent consultant Grant Thornton in Paris, the Paris Commercial Court could decide to send into 'redressement judiciaire' whereby the Court appoint a Receiver to restructure, sell or liquidate the Company.

It is also possible that the Plan could be adopted by the Tribunal and later challenged at Court by some creditors.

Approval and materialization of the Plan

The approval of the draft Plan, and the decision of the Paris Commercial Court to materialize the Recovery Plan, will have the effect of prohibiting OPG's creditors from demanding the application of any stipulation contained in any agreements or undertakings, whether oral or written, to which they may be a party and relating to the payment of OPG's liabilities, since all of OPG's creditors will be bound to respect the provisions of the Recovery Plan.

6. Key events

6.1 Safeguard filing

In March 2009 a "Procédure de Sauvegarde" was opened for ORCO Property Group SA by the Commercial Court of Paris, expiring on September 25th 2009. At the Company's application, the safeguard procedure was extended for another six months (until 25th March 2010) and recently it was renewed until 25th June 2010. Given the protection of the "Procédure de Sauvegarde", the Company made significant progress in implementing its strategic transformation and financial restructuring plan. The second extension was granted by the Court to allow ORCO to finalize its Sauvegarde plan and communicate it to the creditors.

6.2 Successful renegotiations of bank loans

Throughout 2009, ORCO's priority has been to avoid breaching of loan covenants and to ensure smooth financing of the projects currently under development. With the strong support of its banking partners, ORCO was able to restart construction works on Vaci 1, Paris Department Store and Klonowa Aleja, which were temporarily stopped due to inability of draw downs. Details of the main bank refinancing deals completed in 2009 are listed below:

- Paris Department Store, financed with EUR 16.5 Million loan maturing in 2011; yearly extension till 2016 if no breach;
- Vaci 1, financed with EUR 26.1 Million loan maturing in 2011; yearly extension till 2017 if no breach;
- Bubny, financed with EUR 26.4 Million extended by a year;

- Hospitality portfolio (JV with AIG), financed with a EUR 81.9 Million (final draw down of the final tranche EUR7.7 Million was completed in September 2009), maturing in 2014.

As for the Zlota development, a refinancing is currently under advanced negotiation with the Bank. A new term sheet is expected to be signed during the second quarter of 2010.

In 2009, the Company repaid a total amount of EUR 44.4 Million of bank loans related to various asset sales in Germany and the Czech Republic. Bank loans related to residential projects that were delivered (Benice EUR 1.1 Million, Kosik EUR 6.6 Million, Nove Dvory EUR 5.1 Million) or are about to be delivered (Klonowa Aleja EUR 17.4 Million, Feliz Residence EUR 4.1 Million) are expected to be repaid on schedule. In 2009, EUR 17.6 Million of bank debt have been repaid on residential debt.

6.3 Signed agreement to increase OPG stake in ORCO Germany

In its plan to achieve higher integration of ORCO Germany S.A., ORCO Property Group S.A. has reached an agreement on the conversion of its shareholder loan in OG into equity. This is the first step of a wider financial and operational restructuring plan for OG.

This operation was made possible thanks to an agreement signed by ORCO Germany S.A., MSREF V Turtle B.V (an investment vehicle managed by Morgan Stanley currently owning 28.91% of ORCO Germany S.A.) and ORCO Property Group S.A. on August 26, 2009. ORCO Property Group S.A obtained conversion of its EUR17.6 Million shareholder loan in ORCO Germany S.A. into 10,991,750 new shares, set to increase the Company control from 58.10% to a 65% stake in its subsidiary. This agreement was presented and approved at the Extraordinary General Meeting of ORCO Germany S.A. held at the end of October 2009. The agreement, which grants a short term option to minority shareholders of ORCO Germany to subscribe at the same price, is subject to the issuance of a prospectus and is awaiting regulatory approval expected in April 2010.
At an issue price of EUR 1.60 per share, when year end 2009 net asset value stands at EUR1. 73, the deal is NAV relutive for ORCO Property Group.
This shareholder loan restructuring allows the Group to secure its investment in ORCO Germany, increase control on its subsidiary and collect more benefits from ORCO Germany restructuring. ORCO Germany owns a 972,000 sqm asset portfolio which is mainly composed of offices.

6.4 Other agreements aimed at restructuring loans to partnerships

As of December 2009, the Group has receivables in a total amount of EUR 21.5Million, to various subsidiaries & partners. This amount decreased by 44.5 % compared to a total amount of EUR 38.8 Million as of December 2008. The subsequent loans restructured are:

- An agreement has been signed with AIG, ORCO's joint venture partner in the hospitality portfolio, whereby EUR 10 Million of the loan granted to the JV will be converted in equity and EUR 10 Million will be repaid with cash injected by AIG. EUR 8,7 Million is expected at closind end of April 2010. EUR 20 Million out of ORCO Property S.A EUR 46 Million shareholder loan was restructured. Our partner injected EUR 10 Million in cash in Hospitality Invest for repayment to ORCO, while EUR 10 Million of shareholder loan was converted into equity in the joint venture

- ORCO Property Group SA has received a dividend of EUR 2.5 Million from its partnership with GE Real Estate on the Kosik development.

6.5 Asset disposals

In 2009, ORCO completed asset disposals in total value of EUR 66.6 Million (included 1.3 Million EUR of Property Management) , generating a loss of EUR 1.8 Million (excluded the profit on the sales of Property Management companies amounted to EUR 1.2 Million). Given the safeguard protection, the Group was not forced to sell these assets at distressed prices.
Excluding the related debt, these assets disposals freed a total cash amount of EUR 31.2 Million.
The disposals completed in 2009 are part of the company's portfolio rotation program and are fully aligned with its new strategy, focusing on core markets. All the assets sold were identified by the Management as non-strategic.

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

6.6 Initiated implementation of EPRA best practice recommendations ("B PRs")

In 2009 ORCO Property Group became a member of EPRA (European Public Real Estate Association) and Mr. Jean-François OTT became a Board member of that association. EPRA's members are Europe's leading property companies which own more than EUR 250 Billion of real estate assets. EPRA strives to establish best practices in accounting, reporting and corporate governance among its members, to provide high-quality information to investors and to create a framework for the debate and decision-making on the issues that determine the future of the sector.

EPRA members report in accordance with International Financial Reporting Standards (IFRS). The EPRA Best Pratctice Recommendations provide a framework for:

- Specific additional guidance for real estate companies within the IFRS framework;
- Uniform performances reporting and presentation between real estate companies;
- Additional disclosure guidance.

ORCO Property Group has decided to implement EPRA reporting recommendations as of 2010. Some tables have already been introduced in this 2009 report (such as triple net NAV). ORCO's objective is to gradually implement all the reporting standards recommended by EPRA.

6.7 Negotiations for capital increases

Colony negotiations

On 29th April 2009 ORCO announced the launch of exclusive negotiations for a reserved share capital increase with ColOG, a company controlled by funds advised by Colony Capital.
ColOG was considering to reinforce OPG's equity by EUR 25 Million by the end of the second quarter 2009 (then extended until November 30th 2009) and by an additional amount of up to EUR140 Million at the end of the Procédure de Sauvegarde. This capital increase was conditioned by the successful

implementation of bond restructuring under the safeguard procedure. Given the lack of debt restructuring by given deadline, the investment conditions have not been met and Colony Capital's option has expired accordingly. Despite the current market conditions, Colony Capital confirms that the discussions conducted with ORCO Property Group Management were high quality.

Other negotiations towards capital increases

Since the beginning of the negotiations with Colony Capital, the context has substantially improved in the 2nd half of 2009, with the overall improvement of the economic context and, more specifically for the Company, rental revenues growing again, the standing of residential sales, the ability of renegotiate loans. This has enabled the Company to develop its business plan without any capital increase.

However, the Company remains committed to raise fresh equity to strengthen its balance sheet and reinforce its investment capacity. A number of negotiations were initiated during the first months of 2010 which may lead to one or several capital increases during the spring 2010. We can also note that since mid February, the Company's share options (and in particular the Warrants 2014) have been in the money, making an increase of capital through options possible, if not likely.

6.8 ORCO's top- class hotels received prestigious awards

During 2009, selected hotels that are under ORCO's Management received prestigious industry awards, such as:

- Hotel Regina (Warsaw) was awarded Forbes award;
- Residence Diana (Warsaw) and Residence Sulekova (Bratislava) were voted as Expedia "Insiders' Select" hotels (top 1% of all hotels)
- Adriana, Hvar marina hotel & spa: 2009 Grand Award Winner Andrew Harper's Hideaway Report Special Edition
- Riva, Hvar yacht harbour hotel wins 2009 Tablet Hotels Selection Award
- Hotels Adriana and Riva in Hvar won World Travel Oscars

Those awards attest ORCO's hospitality business is well-positioned to attract clients, irrespective of the market cycles.

6.9 Main financial events

The Main financial events are described in the section 7 and 8 describing the 2009 consolidated financial statements and include

- A 16% decrease of revenues to EUR 251 Million
- An Adjusted EBITDA increasing by 34% to EUR 30 Million
- Assets sold for EUR 66.6 mln, at EUR 0.6 Million loss
- A Net loss of EUR 250,6 Million in 2009
- Real estate portfolio values down 12% (or EUR 232 Million) to EUR 1.81 Billion
- NAV decreases at Year end to 8.2 EUR per share

6.10 Main events occurred in Q1 2010

- On the 10th of March 2010, the Paris Commercial Court decided to extend the observation period for the Procedure de Sauvegarde ORCO Property Group S.A and its subsidiary Vinohrady S.A.R.L. by 3 months until 25 June, 2010.
- The Safeguard plan draft has been circulated among creditors at the end of March 2010. The Management expects a judgment on its plan and sauvegarde exit by the end of June 2010.
- On the 24th of March 2010, a group of shareholders holding 10.09% of the ORCO Property Group's shares and voting rights. They asked the OPG Board of Directors to convene an Extraordinary General assembly before the end of April 2010.
- In February 2010, the Helberger asset, located in Frankfurt has been effectively sold for EUR 11 Million. Other assets in Germany have also been sold in Q1 2010 but not yet transferred (like Wasserstrasse).

7. Real estate portfolio and NAV

As a result of the group restructuring in two business lines, all real estate assets are classified into:

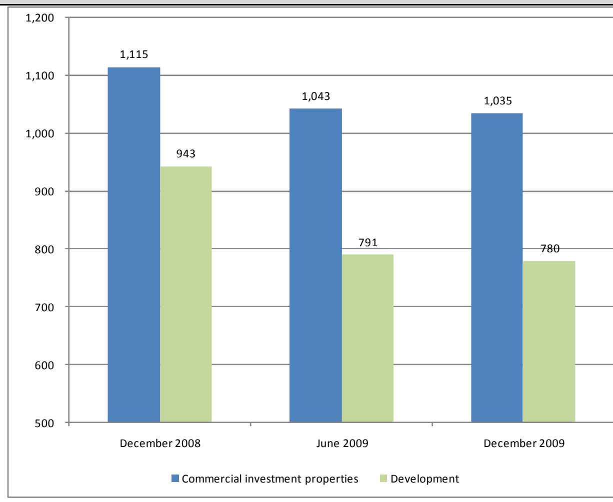
- **Commercial Investment Properties:** covers all real estate assets operated (as hotels and logistic parks) and rented out or that will be so without any major refurbishment.

- **Development:** covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the asset management business line once completed.

- **<u>Absolute variation analysis : decrease of 11.8% mainly due to hotels, commercial and investment properties</u>**

As of December 2009, on the basis of a review of the real estate portfolio by DTZ, an independent real estate consultancy firm, the portfolio value of the Group has been estimated at EUR 1.815 Billion, relatively stable from EUR 1,833 Billion as at June 2009, down from the 2.058 Billion as at December 2008.

Portfolio valuation as of December 2009



- **<u>Full year relative value analysis : yield driven revaluations on Commercial and investment properties coupled with valuation methods impacts for developments</u>**

In Euro 000'	Portfolio valuation December 2008	Transfers	Sales	Investments	Re-evaluation	Portfolio valuation December 2009
Commercial investment properties	1,115	54	(63)	19	(90)	1,035
Development	943	(54)	(120)	148	(137)	780
Total	**2,059**	**-**	**(184)**	**167**	**(227)**	**1,815**

- <u>Commercial and investment properties</u>: the primary cause of re-evaluation is mainly yield-driven, both on the hospitality and rental properties sectors because of the upward movement in yields recorded on all markets. The secondary cause of revaluation is income-driven on mainly two buildings (Bubenska and Budapest Bank) the rest of the rental income on the portfolio being stable;

- <u>Development:</u> the re-evaluation effect is mainly due to the valuation method applied to development projects. The "Residual Method" puts a discount on uncompleted buildings estimating that a potential buyer would require an additional return for taking over the construction. This has a discounting effect at the early stage of the project whereas the gap narrows with the completion.

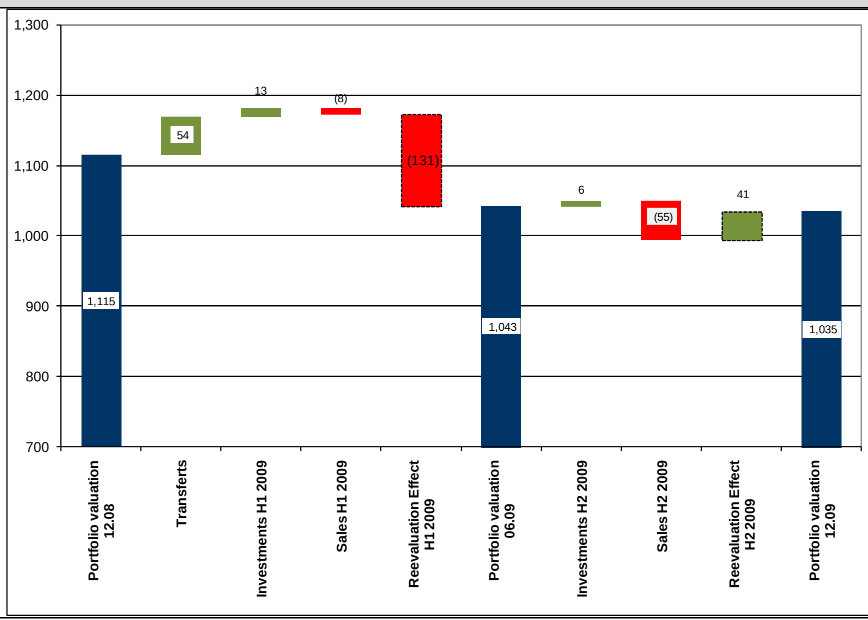
- **<u>Half-year relative value analysis : high revaluations in H1 followed by positive revaluation thanks to developments</u>**

The situation is contrasted between the two semesters:

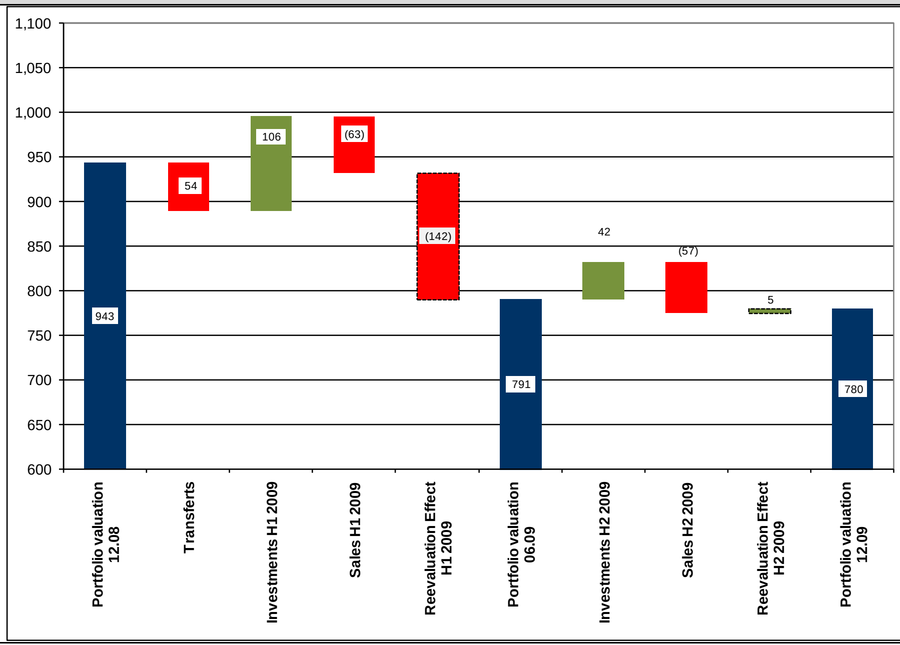
- <u>H1 2009 :</u> high revaluation losses due to (i) investments that were not recognized in terms of value on developments (ii) upwards yield movements that impacted valuations of commercial and investment properties;

- <u>H2 2009</u>: positive consolidated revaluation effects with (i) commercial investment properties continue to be devalued (mainly hotels) but compensated by the transfer of some mature developments (ii) developments record moderate positive re-evaluation effects due to the completion and the mechanical reverse of effect of discount that had been previously factored in.

Portfolio value build-up Dec-08 to Dec-09 : Commercial Investment Properties



Portfolio value build-up Dec-08 to Dec-09 : Development



- **<u>Portfolio analysis : Prognosis</u>**

- Commercial investment properties: the continued increase in revenues especially for the GSG portfolio coupled with the yield stabilization in H2 2010 advocate for a probable increase in values

- Developments: expected improvements of valuations as a result of the finalization of commercial developments and restart of Zlota 44 for projects such as Vaci 1 in Budapest and H2 Office I Duisburg. Moreover, the increase in occupancy rates of Palac Archa in Prague, Sky Office in Düsseldorf and Paris Department Store in Budapest should also contribute to the recovery started in H2 2009.

7.1 The 'Development' business line

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

As of December 2009, Orco's development portfolio represented EUR 780 Million in value (61% commercial developments, 18% of residential under construction developments, 12% of residential land bank and 9% of finished goods to be sold)

The total valuation of the Development business, corrected from sales and cash investments has been sharply decreasing by EUR 142 Million in the first half of 2009, reflecting risk aversion of the market and the capacity of Orco to complete those developments, before increasing by EUR 5 Million in the second half, reflecting a recovery of values for restarted projects.

7.2.1 Commercial developments

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

Throughout 2009, the Company completed construction works on ten commercial projects, which are listed below among all the 13 commercial projects:

Projects delivered in 2009	Location	asset type	leasable area sqm	construction completion	Market Value EUR Million	GAV Variation Dec 09-June 09	GAV Variation Dec 09- June 09	Capex H1 2009	Capex H2 2009	Total Capex 2009
Sky Office	Düsseldorf	office	33 000	Q3 2009	135,0	22,0	32,0	37,0	10,0	47,0
H2O	Duisburg	office	13 000	Q4 2009	29,0	11,0	17,0	12,0	9,0	21,0
Bernauer strasse	Oranienburg	healthcare	7 500	Q3 2009	10,5	2,0	7,2	5,1	0,8	5,9
Rostock	Rostock	healthcare	6 075	Q3 2009	8,8	2,5	5,7	3,2	1,0	4,2
Gutersloth	Gutersloth	healthcare	7 200	Q3 2009	11,9	3,3	8,3	0,0	5,7	5,7
Hradcanska	Prague	office/retail	10 600	Q1 2009	12,5	-0,6	-1,9	0,0	0,3	0,3
Palac Archa	Prague	office/retail	24 000	Q1 2009	47,6	2,1	2,1	4,3	0,5	4,8
Vysocany Gate	Prague	office	16 800	Q2 2009	21,1	-2,0	4,3	0,0	6,8	6,8
Paris Dept. Store	Budapest	retail/office	6 375	Q4 2009	15,0	1,1	-6.8	0,0	2,9	2,9
Radischevskaya	Moscow	office	1 700	Q3 2009	10,5	2,5	-1.3	0,0	0,5	0,5
Peugeot	Warsaw	Retail	4 030	Q1 2010	3,7	-0,7	-1,1	0,0	0,0	0,0
New Molcom	Moscow	Logistic warehouse	18 500	Q4 2009	7,5	2,6	-0,1	4,3	7,9	12,2
TOTAL					**313**	**46**	**73**	**66**	**45**	**111**

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

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

The consolidated market value of the 12 commercial developments delivered in 2009 reached EUR 313 Million as of year end. As of December 2008, their value was EUR 240 Million. Over the first half of 2009 EUR 66 Million of capital expenditures have been spent. During H2 2009, EUR 45 Million of capital expenditures have been spent.

Therefore, on a YoY basis, their Gross Asset Value increased of EUR119 Million for EUR 111 Million invested in these projects as most of them have been completed in the second half. Their value is expected to increase in 2010, based on progress made on occupancy and following the positive market trends expected in 2010.

Such positive evolution of value seems to validate management Safeguard strategy in 2009 whereby the Company focused its cash on completing its existing projects, thereby recovering value for all key stakeholders of the Company.

As of end of December 2009, the main commercial project where we had construction in progress was Vaci 1.

Vaci 1 (former Budapest Stock Exchange) is located at the corner of the busiest shopping street of Budapest. The works began in the spring of 2008. After having been put on hold between April 2009, restarted in November and are estimated to conclude in Q2 2011. After refurbishment, 11 thousand sqm. of net leasable retail accommodation will be available. Vaci 1 is already 19% pre-leased and financed by a EUR 46 Million loan limit maturing in 2012; roll over till 2017 if no breach. EUR 2.7 Million were spent during the first half and EUR 1.5 Million during the second one.
As at December 2008, the fair value of the building was set at EUR 44.1 Million, and at EUR 40.1 Million as at December 2009. Based on the expected annual rental income of EUR 6.9 Million, the fair value at completion amounts to EUR 85 Million. As the development is at an early stage, the valuation integrates a significantly high discount rate to take into account the development risks. With remaining development costs amounting to EUR 20.6 Million, a mechanical gain of EUR 24.3 Million would be recored.

Other projects from Orco's commercial pipeline are in the stage of planning and/ or zoning. Several projects, that were originally planned to break ground in 2009 (such as Bubenska/ Vltavska and Wertheim), were put on hold because of unfavorable market conditions. Restarting of the projects will depend on the levels of pre-leases achieved.

7.2.2 Residential development

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

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

The residential development portfolio includes projects where construction works have been undergoing in 2009. As of December 2009, Orco's residential development portfolio represented EUR 177.5 Million in value (excluding landbank).

During 2009, construction works were finalized on 6 residential projects, representing a total of 408 units. The list of residential projects completed in 2009 is presented below:

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

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

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

Americka 11 is in the Vinohrady district of Prague. The construction commenced in October 2009 and is due to finish in April 2010. The reconstruction will consist of 13 apartments. As of December 2009, no units have been sold. The project is financed through group’s equity.

Klonowa Aleja (Malborska) is located in the Targówek district of Warsaw. The site is developed with a residential scheme that was completed in late 2009/ early 2010. The development comprises 284 apartments as well as retail accommodation and underground car parking facilities (402 parking spaces). The total saleable area amounts to 17817 sqm. As of December 2009, 110 units were pre-sold. The project was financed by EUR 4 Million loan, maturing in 2010. The project has obtained occupancy permit since October 2009 but flats will start to be handed over to clients only in 2010.

Construction works on **Zlota 44** residential tower in Warsaw were suspended in summer 2009, due to invalidation of both the zoning and building permits by the court. Orco has appealed these decisions. The zoning permit was re-confirmed on 15 March 2010 (final and binding), and is the Company is confident in achieving the same positive result for the building permit. Construction works on Zlota 44 site were suspended in summer 2009 Since then, Orco has cooperated with financing bank and at the same time negotiating potential JV agreement in order to be able to restart the construction immediately after the re-validation of permit. The equity to be invested by the Company will depend on the additional contribution of the bank.A relevant term sheet has been signed with a mezzanine partner and will become unforcable subject to bank approval partner.The Company is committed to restart Zlota in 2010. Sales will reopen after recommencement of construction works. The Property is in the heart of Warsaw city centre, immediately adjacent to the Warsaw’s Palace of Culture. This is a luxury, high-rise residential building with 251 apartments and retail at ground floor level.

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

7.2.3 Land bank

The total market value of the land bank (including empty buildings to redevelop) as of December 2009 reached EUR 303.1 Million of which EUR 202.3 Million of commercial land bank (including Bubny), EUR 63.9 Million of land bank with a residential project in place and EUR 37.1 Million of land bank having other kind of projects (plotting programs, solar farms, etc).

The following tables provide an overview of the Company's land banks, by country, as of 31 December 2009:

Commercial Land Bank	**DTZ value EUR**
Czech Republic (incl. Bubny)	59 475 000
Germany	126 710 000
Hungary	4 920 000
Slovakia	10 000 000
Total	**202 305 000**

Residential Land bank (project in place)	**DTZ value EUR**	**Site area sqm**	**Potential Units**	**Potential sqm**
Czech Republic (incl. Bubny)	35 639 465	300 000	3000	361000
Germany	7 475 000	30 000	50	7 000
Poland	20 280 000	170 000	1 700	123 000
Croatia	500 000	90 000	N/A	19 000
Total	**63 894 465**	**590 000**	**4 750**	**510 000**

Residential Land Bank (plotting, other,..)	**DTZ value EUR**	**Site area sqm**
Czech Republic	26 210 000	1 162 000
Poland	2 010 000	218 000
Russia	8 000 000	1 450 000
Germany	910 000	14 000
Total	**37 130 000**	**2 844 000**

The major iconic project and largest landbank site of the group Bubny has also suffered of a significant devaluation of EUR 13 Million (-14.7%). Its value as of December 2009 reached 75 Million EUR vs 88 Million EUR in Dec 08, remains at 75 Million EUR since June 09.

The 25 ha **Bubny** site is located on the outskirt of Prague historic city center. It was acquired in 2006 for EUR43 Million, and the Company has invested since then EUR 27 Million (total additional costs, including planning costs, financing, complementary plot acquisitions. The Bubny plot is the largest undeveloped site in the Prague city centre. Within 15 years, the Group aims to get Master Plan for 1 059 000 sqm gross external GEFA by H1 2011 with high quality office spaces, residential apartments, public services buildings, space for leisure activities, playgrounds and a large shopping centre. This project represents a potential of EUR 400 -600 Million value creation over 15 years.

Orco developed a multiple strategy of development for this key sitebased on four Orco acting as:

- Land developer: zoned / permitted commercial parcels sales to developers for an average annual turnover over 14 years starting in 2012 amounting to EUR 8.5 Million.
- Office developer: up to 80 000 m² office space every 6 years with construction start after 50% pre-lease of the total space) with sales representing EUR 25 Million potential annual turnover starting in 2012.
- Residential developer: 200 units per year representing EUR 30 Million of potential annual turnover starting in 2012.
- Retail developer: up to 100 000 sqm in 2 phases in joint venture with major operator representing EUR 25 Million of potential annual turnover starting in 2012.

End of 2009, a Letter of Intent for the partial sale of the land (8.2% of the land) was signed. The sale shall result in total revenues of EUR 17.4 Million within the next three years.

Other large sites owned by the Company are Wertheim in central Berlin, Germany and Kaluga near Moscow, Russia. The company is currently looking into selling Wertheim site in spring 2010, while it has decided to keep Kaluga in land bank during the zoning permitting.

In 2009, as shown in table below, the Group completed several land bank disposals for a total sale price of EUR 8.4 Million generating a profit of EUR 1.0 Million.

Asset disposals	Number of assets	Total selling price (in Million Euro)	Net Result (in Million Euro)
Czech Republic	1	1.6	0.7
Germany	1	1.5	0.1
Hungary	1	5.3	0.2

7.3 Commercial investment properties

The Company's commercial investment properties business line is comprised of investment properties (generating rental income), hospitality portfolio and Endurance real estate fund management (generating income from management fees). Concerning the latter one, Orco acts as a fund manager.

As of December 2009, Orco's asset management portfolio represented EUR 1.03 Billion in value (82 % rental portfolio and 18% hospitality portfolio); Corrected from sales of assets and investments, the valuation of the commercial investment properties division has declined by EUR 90 Million. This decline is mainly driven by the fall in value of the hospitality assets (-14%). Excluding the hospitality assets, the relative deviation is -5%.

7.3.1 The rental portfolio

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

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

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

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

According to DTZ valuations, the reversionary potential of the portfolio stands at 12%, which reflects the fact that it still have not reached the equilibrium. When including Sky Office, Helberger, Rudna II, Vysocanska Brana and Peugeot, classified in "inventories", it reaches 27%.

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

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

Orco's portfolio attracts prime tenants, such as: KPMG , Monster, Radio Free Europe, McKinsey, T-Mobile, Vodafone, Telefonica, Honeywell, Lovells, Komercni Banka, Raffeisen Bank, Ceska Sporitelna, CEZ, Roland Berger, Cobra, CGM, Estee Lauder, etc.

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

GSG is a portfolio of 45 buildings (most of them are rented shell and core to local SME) located in various areas in Berlin, Germany. It has a total area of 818 thousand sqm and its occupancy reached 76.2% as of December 2009 (up by 6 points since acquisition in June 2007). The portfolio is financed by EUR 302 Million bank loan, maturing in 2012. The portfolio was valued at first consolidation for EUR 404 Million and its December 2009 value reached EUR 445 Million. In 2009, the GSG assets were devalued for a total amount of EUR - 26.4 million, among which Plaunaerstraße (EUR -7.3 million), Wolfenerstraße 32-36 (EUR -5.5 million), Pankow (EUR -4.8 million) and Schwedenstraße (EUR -3.1 million), all located in Berlin.

Molcom is a logistic asset located to the north-east of Moscow Region, within 14 km from the MKAD ring via Yaroslavskoeshosse, close to Pushkino town. The Property comprises warehouses, industrial and office premises with a total area of over 92,000 square meters. The occupancy rate of the existing warehouses at the end of 2009 slightly decreased by 2% to 89%. In addition, a new warehouse of 18.500 sqm has been completed in 2009. Several negotiations are in process with potential clients which could lead new lease contracts in Q2 2010. The project is financed through a USD 16 Million loan maturing in 2015. The new warehouse fair value as of December 2009 was EUR 7.6 Million whereas the existing one is valued at EUR 45.4 Million as of December 2009, due to decreased revenues (EUR 18.8 Million instead of EUR 21.3 Million in December 2008), and currency effects. Note that revenues not only include rental income but also logistic services provided to tenants.

Radio Free Europe is located approximately 3 km to the east of the city centre, in Prague 10. There is good access to the site via Vinohradska, one of the city's main roads connecting directly to the city centre and the Magistrala Highway. Access by public transport is good, with a tram stop directly opposite and a metro stop in close proximity. The scheme comprises a turn-key office unit of 15,276 sq m (NLA) with underground parking. The building is 100% leased by Radio Free Europe and therefore the specification of the building is very high with particular emphasis on security. The building has a substantial boundary and is fully secure with perimeter fencing and security gates for both vehicular and personnel access. Its fair value as of December 2009 was EUR 50.0 Million compared to EUR 55.7 Million in December 2008. Its revenue contribution in 2009 was EUR 3.9 Million. The asset is financed through a EUR 37 Million bank loan, maturing in 2023.

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

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

- Brno Centrum (shopping center in downtown Brno) was sold for EUR 4.8 Million.
- Immanuelkirchstr. 3-4 (a mixed use building in Berlin) was sold for 10 Million EUR.
- Reinhardtstraße 18 (a mixed use building in Berlin) was sold in 2009 for EUR 8.4 Million.

In 2009, the Group completed several Residential development (Vinohrady Portfolio) in Prague) disposals for a total sale price of EUR 11.3 Million generating a loss of EUR 0.7 Million.

- Among the commercial and investment properties that suffered the biggest relative devaluation are: **Bubenska** EUR -7.4 Million (22.5%) due to the departure of its main tenant, **Main Budapest Bank** EUR -10.1 Million (-43%) for the same reason, **Plauener Strasse** EUR **-** 7.3 Million (-26%), **Stribro Industrial Park** EUR -3.1 Million (-45%).

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

7.3.2 Hospitality portfolio

As of December 2009, the hospitality portfolios comprised a total number of operated rooms of 1,734 with an average occupancy rate of 53.1% and an ADR of EUR 99.88. Fair values have been estimated to decrease by 27%, this difference is mainly due external factors explained below for each portfolio.

CEE hotels

In JV with AIG, the Company owns a portfolio of boutique hotels and extended stay residences across Central and Eastern Europe capital cities which are managed and operated by a subsidiary of the Company under the MaMaison brand, Starlight and Courtyard by Marriott. As at 31 December 2009, the 50-50 JV (Orco owning indirectly 44% as being associated with a small institutional partner) owned 12 hotels and extended stay residences (and, together valued at EUR 126.6 Million (vs. 152.8 in 2008). The variance in the portfolio value is in line with the hospitality market trends. The portfolio is consolidated at 50%.

In addition, the Company also has 100% ownership over Pachtuv Palace, a small boutique hotel with 50 apartments, located in central Prague. This asset was valued at EUR 14 .68 Million as of 31 December 2009 (vs. 14.3 Million in 2008).

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

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

*Starlight is excluded for Occupancy and Revenue as it is a lease contract

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

The value of this portfolio has decreased from 2008 to 2009 by EUR 25.7 million which is equivalent to a decrease of 15.4%. This number includes all hotels in the joint venture and the Pachtchuv Palace in Prague. This difference is mainly due to the volatility of the market and the prudent forecasted numbers. As all type of assets our CEE hospitality portfolio has suffer from softer yields which has a direct impact on values, this, coupled with the impact of the overall economical slowdown, particularly with companies cutting cost for business travels, has a negative impact on our CEE hospitality portfolio.

Suncani Hvar Hotels

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

Suncani Hvar hotels	Number of assets	Number of rooms	Occupancy	2009 revenues EUR Million	Market value 09 EUR Million	Change in market value vs 2008 EUR Million
Four star category	3	437	48.78	10.4	82.4	-48 .7
Two - three star category	4	316	52.44	2	16	-11.8
Total Suncani Hvar hotels	7	753	50.32	12.4	98 .4	-60.6
*Sirena, Bodul, Galeb were not operated in 2009 and as such are not include in the numbers above.						

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

The fully refurbished assets, operated in the high end segment are the Amfora resort, with its neighbouring Bonj les Bains centre, (the Small Leading Hotel' Adriana and the 'Small Luxury Hotel' Riva), represent in 85.3% of total revenue and 83.7% of the value of the operated hotels. The occupancy of the hotels is based on opened days, as the business is seasonal, most of the hotels being opened from mid- May to September or for private events.

The other operated hotels are the Dalmacja and the Palace hotel, which was partly renovated in 2007, operating as 3 stars hotel , and the Pharos, the Dalmajia 2 and the Delfin, operating as 2 stars, attract tour operators, family and young people. All together they represent 316 bedrooms with occupancy of 52.44% and revenue of almost EUR 2.0 Million. The Sirena hotel, the Bodul hotel and the Galeb property did not open to business in 2009.

7.4 Liabilities / financial profile

The calculation of the Loan To Value (LTV) as of December 2009 is shown in the table below:

	December 2009	June 2009	December 2008
Non current liabilities			
Financial debts	484,634	626,340	826,483
Current liabilities			
Financial debts	595,776	522,040	298,761
Current assets			
Current financial assets	-488	-1,754	-2,190
Liabilities held for sale	51,451	10,715	
Cash and cash equivalents	-57,040	-66,813	-83,799
Net debt	**1,074,333**	**1,090,528**	**1,039,256**
Investment property	1,072,304	1,125,522	1,211,718
Hotels and own-occupied buildings	215,393	224,701	245,273
Properties under development	-	9,117	99,673
Financial assets	32,353	60,093	70,681
Inventories	482,605	460,507	529,827
Assets held for sale	48,930	21,380	
Revaluation gains on projects and properties	-3,095	25,967	44,010
Fair value of portfolio	**1,848,490**	**1,927,287**	**2,201,182**
Loan to value before bonds	**58.1%**	**56.6%**	**47.2%**
Bonds	468,616	442,826	440,512
Accrued interests on bonds	16,860	11,293	7,757
Loan to value	**84.4%**	**80.1%**	**67.6%**

As at December 31st 2009, the LTV stands at 84.4% compared to 80.1% in June 2009 and 67.6% as at December 2008. The sharp increase of the LTV ratio over 2009 stems from the downward reevaluation of assets values reported above, while liabilities slightly increased in nominal terms and were not revalued irrespective of their market value or of the management plans to restructure the bonds debt.

This LTV level before bonds is deemed as sustainable by the management, given the market stabilization of assets valuation and the relatively good revenue stream of Orco's portfolio on one hand, and the debt restructuring plan on other hand.

Management expects the LTV ratio to decrease in the future with the debt restructuring and possibly asset value rebound, and will closely monitor this ratio in order to assure the long term amortization of the bond debts.

Cash and cash equivalents

Cash and cash equivalents have decreased by EUR 26.8 Million compared to December 2008. Available cash (see note 17 of the consolidated financial statements on restricted cash), only decreased by EUR 7.0 Million while investments for finalization of developments were carried on with loan to construction draw downs of around 75%.

Bank liabilities

The slight increase in financial debt is the consequence of both the further draw downs for the finalization of development works mainly on Sky Office, H2 Office, Palac Archa and Vaci 1 and the increase of the Central European currencies towards the Euro.

62% relate to the income producing commercial portfolio, which despite the downwards valuations show both growing rental revenues and growing EBITDA.

38% of the bank loans relate to non income producing land bank and projects under construction. It is a priority of the Group, as developed in the Business Plan, to reduce that ratio by completing development projects and initiating land developments or land sales.

Analysis of maturities

In EUR Million	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
As as 31 December 2009	706.4	18.5	650.8	224.7	**1600.4**
As as 31 December 2008	309.8	221.4	649.7	384.9	**1565.8**

The total amount of debts to be refinanced or repaid upon sale of the assets in 2010 amounts to EUR 706.4 Million (See note19.3 of the consolidated financial statements on borrowings maturity). This amount includes EUR 59.2 Million of bonds that are proposed to be termed out within the Safeguard plan, EUR 51.4 Million of loans financing assets that are held for sale and EUR 259 Million of assets and developments that are planned to be sold in the short term. The management is confident in its abilities to further refinance or prolong the remaining EUR 329 Million of debt, in line with its 2009 achievements where 35% of the bank debt was refinanced.

Bond liabilities

Bond liabilities (including accrued interests and embedded derivatives not classified as equity) are recorded in the consolidated financial statements at EUR 510.6 Million, and not at fair value, at the discounted value at which bonds are traded on the markets.

To the Company’s knowledge, there is no or very little liquidity on OPG bonds 2011, 2012 and 2014. Small sized deals have occurred for the Bonds 2010 and 2013 since March 2010 for a volume of EUR 2 Million. The weighted average trading price of the Bond 2013 stands at 25.67% of nominal value, whereas only one deal has been observed for the bond 2010 at 25% of nominal value. Nevertheless, it cannot be concluded that 25% of nominal value is the price at which OPG bonds are traded on average as traded volume on the market is very low. The Company has not been provided with over the counter data.

As a result of rejection by the bondholders of all proposals from the Group management intending to convert totally or partially the bond debt into equity, a Plan de Sauvegarde has been circulated proposing the term out with an amortization over ten years.
Should the expected debt restructuring be adopted by the Paris Commercial Court by June 2010 the bonds debt will be accounted for in accordance to the rescheduling plan at their net present value over the period, that may significantly reduce the expected recorded value of bonds and, as a result improve significantly the global LTV.

7.5 Net Asset Value

Using similar calculation methodologies as in previous years, the Group Net Asset Value per share as of December 2009 is at EUR 8.2 compared to EUR 42.5 as at December 2008 and EUR 15 at June 2009. The evolution is mainly the result of the change in the real estate portfolio valuation and the deferred taxes recognized in the balance sheet thereon. The variation in the other balance sheet items is mainly the consequence of the increase of the bank loans financing the projects under construction.

Most publicly traded property investors however do not use Orco's historic methodology and follow the EPRA recommendations. The Company therefore plans to introduce in 2010 the EPRA "Triple Net Asset Value per share" methodology described below. The Management does not make any assessment of the bonds' market value but intends to give the elements for the readers to make their own opinion. With a discount to nominal value of the bonds issued by the Group, the Triple Net asset value is estimated between EUR 11 and EUR 18 per share.

	December 2009	June 2009	December 2008
Consolidated equity	**56,578**	**97,618**	**304,633**
Fair value adjustments on investment portfolio	0	0	784
Fair value adjustments on hotels and own occupied buildings	10,562	15,457	46,242
Fair value adjustments on properties under development	0	0	-18,631
Fair value adjustments on inventories	-13,657	10,516	15,615
Deferred taxes on revaluations	58,438	64,539	141,356
Goodwills	-22,748	-24,759	-29,305
Own equity instruments	82	649	4,190
Net asset value	**89,255**	**164,020**	**464,884**
Net asset value per share	8.16	14.99	42.48
Existing shares	10,944	10,944	10,944

Net asset value	**89,255**
Effect of dilutive instruments	169,547
Market value of bonds (50% discount)	231,185
Triple Net asset value	**489,987**
Triple net asset value per share	13.93
Fully diluted shares	35,165

Bond discount of nominal	30%	40%	50%	60%	70%	80%
Triple NAV	11.27	12.60	13.93	15.27	16.60	17.93

The debt rescheduling to be adopted under the Safeguard plan, which shall imply a discount of the annuities over the period of the plan, is expected to translate into a lower carrying amount of bonds' debts, therefore reducing the gap between the two NAV calculations methodologies.

Orco historic NAV Methodology:
The net asset value as a consequence of the definition below is calculated as follows:

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

Finally, only the part attributable to owners of the Company is retained.
The Net Asset Value is calculated on a group share basis starting from the IFRS consolidated balance sheet values (see the balance sheet and the variation thereon reported in the IFRS consolidated financial statements) with adjustments:

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

Triple net NAV Methodology:

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

8. 2009 financial results

Throughout the year 2009, Orco Property Group has pursued its strategic and financial restructuring plan within the framework of the "Procédure de Sauvegarde" amongst a challenging environment in its Central European markets. The revenues as of December 2009 reached EUR 251.5 Million compared to EUR 299.9 Million as of December 2008.

As part of the strategic review of the Group's assets, some development programs were put on hold during negotiations with financial partners which has led to large investment properties devaluations and development impairments for the year ending December 31, 2009.

Consequently, the Group recognized a loss for its Group share amounting to EUR 250.6 Million compared to a loss of EUR 390.6 Million in 2008. The restructuring and cost efficiency plan implemented in 2009 has led to an increase of adjusted EBITDA by 34% to EUR 29.9 Million. Orco Property Group ends the year 2009 with EUR 57.0 Million in cash and cash equivalents.

8.1 Consolidated Income statement

Revenues

Orco Property Group reports EUR 251.5 Million of revenues as of December 2009, representing a 16.1% decrease year on year. Development Revenues decreased by EUR 27.6 Million representing a decrease of 17.6% and Commercial Investment properties revenues by EUR 31.5 Million, a decrease of 19.1% compared to 2008.

The table below illustrates the revenue breakdown by business segment (2008 figures presentation has been changed in order to add the renting, hospitality and management services segments into the commercial investment properties business line, see note 5 of the consolidated financial statements) :

in EUR million	Development	Commercial Investment Properties	Intersegment activities	TOTAL
2009	129,4	133,8	-11,7	**251,5**
2008	157,1	165,3	-22,4	**299,9**
Variation	-27,6	-31,5	10,7	**-48,4**

Development business line
Revenues for the Development business line decreased by 27.6 Million as a result of lower residential sales and the absence of commercial sales while construction works on some properties were finalized in 2009. Excluding sales of two abandoned projects (Fehrbelliner Hofe and City Gate amounting to EUR 28.3 million), the development business line turnover amounted to EUR 101.1 Million.

Residential development
In 2009, the residential development activity generated EUR 81.2 Million (EUR 128.5 Million in 2008), of which almost 69% realized in the Czech Republic. Main contributors were Nove Dvory (EUR 10 Million), Plachta III (EUR 8.1 Million) and Kosic 3A (EUR 6.9 Million) in Czech Republic, last German residential units (EUR 5.9 Million) Mokotowska (EUR 4 Million) and Szafirowa Aleja (EUR 3.5 Million) in Poland and Parkville in Slovakia (EUR 4.4 Million)

Despite the completion over H2 2009 of Benice 1A (8 units), Nove Dvory (100 units) and Kosic 3A (117 units for the 50% integrated), the Group has registered a 34% decrease in its units delivered and recognized in revenues in 2009, to 437 units compared to 764 in 2008 (excluding Germany). The backlog on projects either finalized or under construction amounts to 484 units in The Czech Republic out of which 58 are covered by a future purchase or a reservation contract and to 587 units in Poland out of which 223 are covered by a future purchase or a reservation contract. In Germany, there are only few units left to sell on the residential developments.

Given the drop in market demand across CEE countries, the Group decided to put on hold several residential projects that were planned to start construction in 2009 (such as Praga, V Mezihori, Vavrenova and U Hranic in the Czech Republic; Drawska 2, Krakow and Szczecin in Poland; and City Gate and Stein in Slovakia, which were sold / planned to be sold).

Among the new projects for 2010 - 2011 validated by the Investment Committee in 2009 are Mostecka project (56 units), and Americka 11 (14 units). Other projects ready to start construction include Mezihori (142 units), Kosik 3b (100 units for the 50% integrated), Vavrenova (86 units) and U Hranic (140 units). They will be presented to the Investment Committee over the coming months depending on demand, rescheduling of specifications and financing availability.

The Group continues preparing permits demands for new developments to be launched in 2011 and 2012 as soon as the market demand rebounds. Projects include Benice 3, U Hranic, Krakow etc. It is also expected to restart works on the Zlota 44 tower in Warsaw as soon as the building permit is re-validated.

In Germany, there are only few units left to sell on the residential developments, while the completion of senior residences and office buildings should generate development revenues in the coming 18 months.

Non-residential revenues

Non-residential revenues include sales of commercial buildings (EUR 2.0 Million in 2009 and EUR 11.6 Million in 2008, in Germany for both years), management fees and rents on buildings that are to be redeveloped or on projects where construction works have been finalized and tenants moved in while the building is planned for sale. The Group is currently finalizing constructions works and tenant fit out requirements on Sky Office in Dusseldorf, H2 Office in Duisburg, one office building in Berlin, healthcare projects in Germany and Hradcanska office building in Prague. They are planned to be sold in 2010 for potential with commercial development revenues above EUR 200 Million.

Commercial Investment Properties business line

The Commercial Investment Properties business line achieved revenues of EUR 133.8 Million compared to EUR 165.3 Million in 2008. This decrease of EUR 31.5 Million is the result of a decrease of EUR 19.7 Million in revenues from Group assets excluding hotels, of EUR 9.3 Million in hospitality revenues, of EUR 2.5 Million in Endurance Fund management fees.

Rental activities

The revenues decreased by 13% to EUR 105.4 Million despite no major change in the occupancy rate of the Group rental assets or nominal rent. The drop in rrevenues of EUR 19.7 Million is mostly due to the absence of revenues from assets sold over the last 18 months and the negative impact of the devaluation of the Ruble on Molcom revenues.

In the GSG portfolio in 2009, there were more than 2,000 lease contracts in place which generated 40.9 Million EUR plus 6.7 Million EUR of service charges reinvoiced to clients, showing an increase of 5,1% YoY 2008 (a 0.7% increase compared to H1 2009) and 15,9% YoY 2006. In the meantime, the portfolio occupancy reached 76,2%, up by 6 points since takeover in June 07 (Net take up 50,000 sqm).).
Molcom generated a yearly revenue contribution of EUR 18.8 Million, in decrease of 11.7% partly due to the negative impact of the devaluation of the Ruble (-4.5% over 2009) and not only include rental income but also logistic services provided to tenants.

Developments for the rental portfolio have been finalized with the deliveries of 3 commercial projects in 2009: Hradcanska and Palac Archa in The Czech Republic, Paris Department Store in Budapest. Despite the fact that these assets contributed only with EUR 1.8 Million revenue in 2009, the Group estimates their revenue contribution for 2010 to reach EUR 4.4 Million as progress is made on leasing.

ORCO PROPERTY GROUP

Hospitality activities
CEE portfolio's performance in 2009 was below 2008 results, with occupancy down by 4.6% to 54.8%, while ADR was down 24% to EUR 93.1. Full year results for 2009 were disappointing due to macroeconomic conditions. Operating profit was affected by the decrease of of revenues, however, partly protected by the Cost Containment Plan introduced by the Asset Manager in February 2009.

Although the overall portfolio results considerably dropped, there were regional disparities:
• In Moscow, Pokrovka had a strong fourth quarter 2009 compared to thye same period in 2008, bearing good for 2010 prospects. okrovka maintained a high ADR (almost EUR 200) and achieved an occupancy above expectations. It recorded a 9% RevPAR growth in Q4 (in local currency) when the competition dropped by 14%.

• In Prague and Budapest, hotels were heavily hit by the economic downturn.

Despite a noticeable drop in demand vs 2008, almost all hotels in the portfolio were ahead of their competitors.

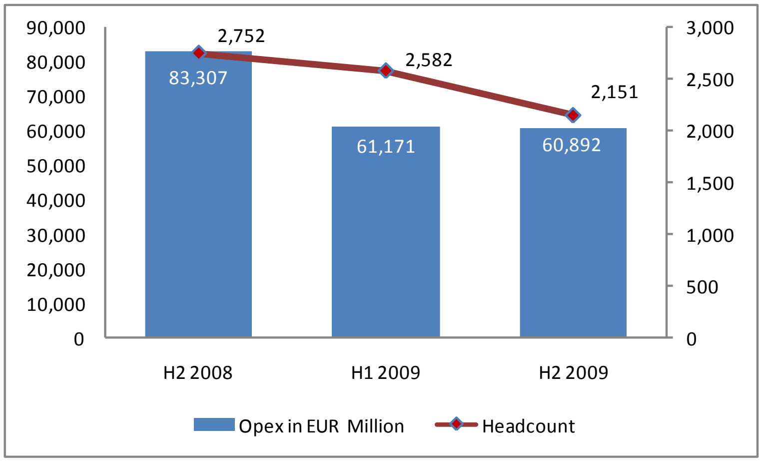
• In Croatia, Suncani Hvar revenues decreased by 20% compared to 2008 affected by the global economic crisis, as Hvar is reliant on foreign tourism that slumped globally during 2009. , Occupancy and rates in 2009 for operating hotels increased compared to 2008 by 2 percentage points but decreased compared to 2007 by 2 percentage points. Also costs were slashed by closing some of the non profitable hotels, even during the season. This strategy has led to a decline in revenues but a better operational result before amortization and impairments (EUR -3.1 Million compared to EUR -5.0 Million in 2008). This is the result of improvement in overall cost management. We believe that EBITDA could continue to improve in the next 5 years with strong focus on effective cost and yield management.

Asset Management
The Endurance Fund management fees amounting to EUR 3.9 Million (EUR 6.4 Million in 2008) are lower than in the previous year revenues due to the absence of any acquisition or fund raising activities, leaving mainly the base management fees. These revenues are expected to be stable over 2010.

Operating expenses and Headcounts

Operating expenses correspond to the sum of the Employee benefits line and the Other operating expenses line of the income statement. Excluding the non cash cost of warrants allocation as restated in the chart below (amounting to EUR 3.5 Million as per the independent valuation at 'fair value') , the operating expenses amount to EUR 122.1 Million compared to EUR 158.6 Million in 2008, a decrease of 23%. This decrease is the consequence of the restructuring plan implemented in 2009 and accelerated under the Safeguard protection. The decrease would have been sharper without all the legal and consulting costs specific to the Safeguard procedure amounting to EUR 3.7 Million..

Further decreases are expected in 2010 and 2011 with the restructuring of Orco Germany to be completed by the end of June 2010, and the restructuring of the group management in two business lines (Development and Commercial Investment Properties) also to be completed by the end of June 2010.



Net loss on disposal of assets

In 2009 the context was not favorable for disposal of assets at non distressed prices. The Company has been trying to limit the sale of assets to non strategic assets ie those non fitting the business or geographical strategy of the Group, or those with reduced profitability outlook.

During 2009, assets have been sold for a total consideration of EUR 66.6 Million generating a net loss of EUR 0.6 Million and net cash inflow of EUR 30.0 Million. Including the sale of two high risk profile projects (the luxury residential projects Fehrbelliner Hofe in Berlin and City Gate in Bratislava) that have been abandoned and sold, total of asset sales amounts to EUR 95.1 Million and net cash inflow of EUR 35.1 Million. EUR 46, 6 Million of total asset sales were done in Germany. Also, as part of the restructuring and cost control plan the property management service activities have been sold and externalized for a consideration of EUR 0.4 Million.

Adjusted EBITDA

The Group continues its shift towards profitability and cash flow generation, the decrease in revenues has been more than compensated by the decrease in operating expenses and cost of goods sold. The adjusted EBITDA amounts to EUR 29.9 Million as at December 2009 showing an increase of 34% compared to EUR 22.3 Million December 2008 and EUR 11.4 Million in June 2009. The main contributor to this increase is the sharp reduction of Adjusted EBITDA loss of the Development business line. The Commercial Investment Properties line has more suffered from the decrease in revenues of the Endurance Fund management fees and reduced profitability of incoming investment properties that are not stabilized yet.

Overall, the decrease in revenues (excluding the sales of Fehrbelliner Hofe and City Gate) is more than compensated by the cost reduction plan with reduction of costs of good sold, lower employee benefits decreasing by 17% and other operating expenses decreasing by 23% despite the restructuring costs. The Company continues its shift from a growth oriented model to a profitability oriented one.

In EUR Million	Development	Commercial Investment Properties	TOTAL
Adjusted EBITDA - FY 2008	-18,061	40,392	22,330
Adjusted EBITDA - FY 2009	-4,813	34,668	29,855
Variation	**13,248**	**-5,724**	**7,525**

Total 2008 should be 22,322 to match with 2008 consolidated accounts

Valuation adjustments and impairments

The net result from fair value adjustments on investment properties as at December 2009 amounts to EUR -177.6 Million (EUR -217.0 Million in 2008).

The amortization, impairments and provisions amounting to EUR -89.4 Million as at December 2009 compared to EUR -188.5 Million in 2008 include EUR -72.1 Million impairments on properties and development projects (EUR -154.9 Million in 2008). Impairments on buildings under construction are mainly the consequence of the increase of the expected developers margin taken into account in the valuation model.

The total of impairments and amortization on real estate assets amount to EUR -249.7 Million compared to EUR 371.8Million in 2008. The amount of amortization and impairments recognized on real estate assets over the second half of 2009 were slightly positive with the net amount improving by EUR 2.5 Million. Mainly further decrease in rental assets values have been more than compensated by lower impairments on developments with constructions finalized and units sold over the second half of 2009.

	December 09			June 09			December 08		
In EUR Million	Revaluation	Impairment	**Total**	Revaluation	Impairment	**Total**	Revaluation	Impairment	**Total**
Development	-81,288	-33,243	**-114,531**	-68,222	-66,824	**-135,046**	-123,286	-73,953	**-197,239**
Commercial Investment Properties	-96,309	-38,895	**-135,204**	-85,060	-32,053	**-117,113**	-93,665	-80,937	**-174,602**
Total	**-177,598**	**-72,138**	**-249,736**	**-153,282**	**-98,878**	**-252,159**	**-216,951**	**-154,890**	**-371,841**

The changes in value are detailed in chapter 7, real estate portfolio valuation and net asset value.

Financial result

The financial result shows a loss of EUR 110.2 Million compared to a loss of EUR 127.6 Million in 2008. Out of a total interest charge of EUR 86,8 Million, interests on bonds account for EUR 37.1 Million (EUR 33.9 Million in 2008) out of which EUR 3.3 Million relates to Orco Germany OBSAR (EUR 2.7 Million in 2008). As a result of the "Procédure de Sauvegarde", the accrued interests on OPG bonds amount to EUR 16.3 Million compared to EUR 8.2 Million as of December 2008. Bonds' intererests accounting should be significantly modified in 2010 with the expected adoption of the Safeguard Plan.

The financial loss has decreased as a result of the improved foreign exchange result from a loss of EUR 21.2 Million in 2008 to a gain of EUR 4.7 Million in 2009 and the decrease in the other net financial results, partially compensated by the higher net interest expenses increasing by EUR 13.5 Million. This last increase is mainly the consequence of a lower capitalization of interest expenses (EUR 10.5 Million compared to EUR 22.1 Million in 2008) with commercial project constructions works being finalized or development being put on hold while global debt on developments increased and some debts were repaid upon sales..

Income taxes

The income taxes have a positive impact of EUR 48.9 Million composed of EUR 8.1 Million of current income tax expenses and EUR 57.0 Million of deferred income taxes gain arising essentially from reversal of deferred tax liabilities after real estate assets valuation adjustments and impairments.

8.2 Annual Statutory financial status

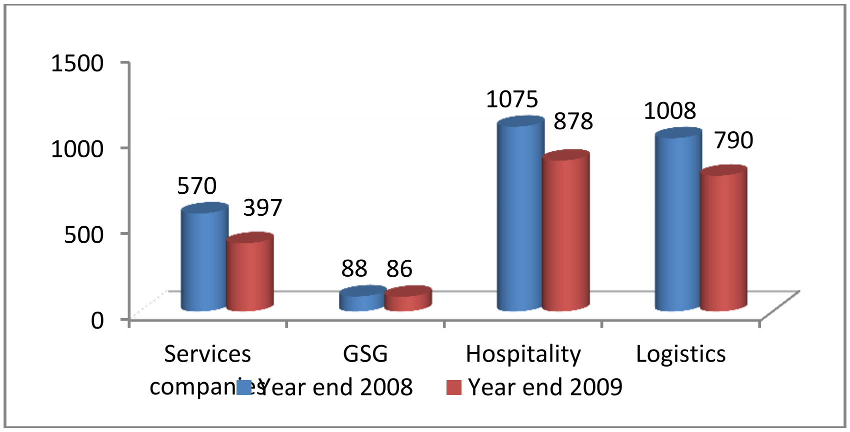
As of December 2009 the total assets of the Group mother company, Orco Property Group S.A amount to EUR 568.3 million compared to EUR 790.2 million as of December 2008.
The net equity amounts as of December 2009 to EUR 31.7 million including a loss brought forward of EUR 200.1 million vs EUR 249.4 million as of December 2008.

The Company reports a loss of EUR 217.7 Million mainly due to EUR 199.5 Million of valuation adjustments as of December 2009, compared to EUR 240.5 million as of December 2008.The improvement of the net result is also due to the gain on disposal on investment securities amounting to EUR 3.5 million and to the decrease of the realized and unrealized loss on foreign exchange related to the interests payable of EUR 17 million compared to the prior year.

The subscribed shares capital of the Company which amounts to EUR 44.9 Million is considered as the corporate capital of the Company. The cumulated losses of the Company which amounts to EUR 13.1 Million does represent 29.25% of the corporate capital of the Company. Therefore, the requirements of Article 100 of the Luxembourg law dated 19 August 1915 as amended are not fulfilled and there is no legal or statutory requirement for the Board of Directors of the Company to convene a general meeting of the shareholders of the Company to resolve on the continuation of the Company.

9. Human resources

As a result of the Group restructuring, the headcount decreased across all countries, reaching 2,151 as of December 2009 vs. 2741 in December 2008, (- 22%). The most significant year over year drop was in achieved in the service companies (-31%), followed by logistics (22%). The employees for the hospitality operations have decreased by 18%.



The headcount is expected to fall further to by the end of 2010. Further restructuring of overheads is anticipated during 2010 to take the total overhead costs from EUR 19 Million to EUR 15 Million 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 has closed down its offices in all Czech and German cities except Prague, Berlin and Dusseldorf and has been fundamentally scaling back Bratislava or Budapest.

Lastly, Suncani Hvar will also be the subject of a restructuring plan in 2010 affecting headcounts.

10. Corporate governance

In order to ensure enhanced transparency and shareholder control, the group implemented several changes to its corporate governance structure.

10.1 Board of Directors

The Board of Directors represents collectively the shareholders and acts in the best interests of the Company. Each member, whatever his/her designation, represents the Company's shareholders. The Board of Directors meetings are held as often as deemed necessary or appropriate at the request of the Chairman.

The members of the Board of Directors are elected by the general meeting of shareholders for a period not exceeding six years. They are eligible for re-election and may be removed at any time, with or without cause, by a resolution adopted by the simple majority of votes of the general meeting of shareholders. The Directors may be either natural persons or legal entities. A legal entity that is appointed to the Board of Directors shall designate a natural person as its representative.

During the general meeting of shareholders held on 8 July 2009, the mandate of seven members of the Board of Directors was renewed and another seven members were newly appointed. The new Board of Directors has been enlarged and enriched with the expertise of new members, mostly independent and non-executive members. All members of the Board of Directors have a mandate until the general meeting of shareholders approving the accounts for the financial year ended on 31 December, 2009. The general meeting of shareholders held on 8 July 2009 appointed the following members of the Board of Directors:

- Mr. Jean-François Ott, executive member
- Mr. Pierre Cornet, independent member
- Mr. Silvano Pedretti, independent member
- Mr. Nicolas Tommasini, executive member
- Mr. Guy Wallier, independent member
- Ott & Co. S.A., legal entity represented by Mr. Jean-François Ott, executive member
- Central European Real Estate Management S.A., ("CEREM") legal entity represented by Mr. Jean-François Ott, executive member
- Mr. Bernard Kleiner, independent member (newly appointed)
- Mr. Alexis Raymond Juan, independent member (newly appointed)
- Mr. Robert Couke, independent member (newly appointed)
- Mr. Ales Vobruba (newly appointed), executive member
- S.P.M.B. a.s. (a subsidiary of Prosperita Holding) (newly appointed), legal entity represented by Ms Eva Janeckova, non – executive member
- Prosperita investicni spolecnost, a.s. (newly appointed), legal entity represented by Mr. Miroslav Kurka, non – executive member
- Geofin, a.s. (newly appointed), legal entity represented by Mr. Daniel Barc, non – executive member.

Mr. Pierre Cornet resigned from the Board of Directors, such resignation being effective since 21 October 2009. CEREM is in voluntarily liquidation since 18 December 2009 and is expected to resign from the Board of Directors.

As of December 2009 the Board of Directors consists of:

- 5 executive members representing the management of the Company: Mr. Jean-François Ott, Mr. Nicolas Tommasini, Mr. Ales Vobruba, and Ott&Co S.A., represented by Mr. Jean-François Ott, and CEREM, represented by Mr. Jean-François Ott.
- 5 independent members: Mr. Silvano Pedretti, Mr. Guy Wallier, Mr. Bernard Kleiner, Mr. Alexis Juan, and Mr. Robert Coucke.
- 3 non-executive members representing the shareholders: Geofin, a.s, Prosperita investicni spolecnost, a.s., and S.P.M.B. a.s.

Mr. Jean-François Ott was appointed as Chairman of the Board of Directors and Mr. Nicolas Tommasini was appointed as Secretary of the Board of Directors.

Committees of the Board of Directors

The Board of Directors held on 7 September 2009 resolved to create the following committees:

- Audit Committee,
- Remuneration, Appointment and Related Party Transaction Committee,
- Restructuring Committee,
- Investment and Development Committee.

The Board of Directors appointed members of these committees, whereas the independent and non – executive directors prevail among the members of the committees.

Audit Committee

Members of the Audit Committee are Mr. Bernard Kleiner (chairman), Mr. Silvano Pedretti, Mr. Alexis Juan and Mr. Nicolas Tommasini. The Audit Committee reviews the Company's accounting policies and communication of financial information. Since the appointment of the current Audit Committee, there were two meetings in 2009.

Remuneration, Appointment and Related Party Transaction Committee

Members of the Remuneration, Appointment and Related Party Transaction Committee ("Remuneration Committee") are Mr. Guy Wallier (chairman), Mr. Robert Coucke and Mr. Jean-François Ott. The Remuneration Committee presents proposals to the Board of Directors about remuneration and incentive programmes to be offered to the management and the Directors of the Company. Remuneration Committee also deals with related party transactions. Since the appointment of the current Remuneration Committee, there were two meetings in 2009.

Restructuring Committee

Members of the Restructuring Committee are Mr. Alexis Juan (chairman), Prosperita investicni spolecnost a.s. represented by Mr. Miroslav Kurka, Mr. Ales Vobruba and Mr. Jean-François Ott. The Restructuring Committee focuses on restructuring, cost cutting and other saving efforts within the Company. Since the appointment of the current Restructuring Committee, there was one meeting in 2009.

Investment and Development Committee

Members of the Board of Director's Investment and Development Committee are Mr. Silvano Pedretti (chairman), Mr. Robert Coucke, Mr. Ales Vobruba and Mr. Nicolas Tommasini. In 2009, there was no meeting of the Investment and Development Committee since its appointment in September.

10.2 Management of the Company (Executive Committee)

As of December 2009, the Company's Executive Committee consists of the following members:

- Mr. Jean-Francois Ott, Chief Executive Officer
- Mr. Nicolas Tommasini, Chief Financial Officer and Deputy Chief Executive Officer
- Mr. Ales Vobruba, Managing Director of ORCO Czech Republic and ORCO Slovakia
- Mr. Martin Gebauer, Director of Asset Management
- Mr. Yves Desiront, Deputy Chief Financial Officer
- Mr. Ogi Jaksic, Development Director

The members of the Executive Committee are meeting on a regular basis to review the operating performances of the business lines and the containment of the operating expenses. The Executive Committee members are also the permanent members of the management investment committee which is the governing body for all management decisions or preparation of committes analysis concerning the acquisition, sale or development of any real estate asset. A new procedure has been established on the basis of the business lines' management formalizing the decision chain and triggers.

The Company's management team went through a thorough restructuring in 2009, with Mr. Steven Davis, Mr. Luc Leroi, Mr. Arnoud Bricout, Mr. Douglas Noble, and Mr. Keith Lindsay leaving the Company and Mr. Ogi Jaksic joining.

11. Shareholding

11.1 Amount of share capital

As at 31 December 2009, the subscribed and fully paid-up capital of EUR 44 869 850.60 (EUR 44 869 850.60 in 2008) is represented by 10 943 866 shares (10 943 866 in 2008) with a par value of EUR 4.10 per share.

11.2 Shareholding structure

To the best of Orco knowledge, the following table sets out information regarding the ownership of the Company's shares as of 31st of December 2009.

Shareholders	No. of shares	% of capital	% of voting rights
Ott & Co S.A.	176,343	1.61%	1.61%
Treasury shares	9,101	0.08%	0.08% (suspended)
Other	10,761,422	98.31%	98.31%
Total	10 943 866	100%	100%

On 19 March 2010, the Company has been notified by Millenius S.A. a Luxembourg company having its registered office at 37 rue d'Anvers, L-1130 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B149.601 that it has crossed the threshold of 5% of the voting rights of the Company on 16 March 2010 and holds 7.744% of the rights of vote in the Company.

On 24th of March 2010, a group of shareholders declared to the Company a holding of 10.09% of the Orco Property Group's shares and voting rights. They asked the OPG board of directors to convene an extraordinary General assembly before the end of April 2010. They are composed of

- **Millenius Investments S.A.**, a « société anonyme » located 37 rue d'Anvers, L-1130 Luxembourg, RCS B 149.601, whose directors are Gaël Paclot, a French National residning in Switzerland, Jean Van den Esche and Mario Brero and which economic beneficiary is Gaël Paclot, 44 rue Berard, CH-1936 Verbier (Switzerland)

- **Clannathone Stern S.A.**,a « société anonyme » located 11, rue des Colonies, B-1000 Bruxelles, RCS 0867341435, represented by MM Alain Bremont, Jean-Louis Geylard and Johanna Klerk, and whose economic beneficiary is Eric Cleton.
- **Bugle Investments Ltd**, an « *international business company* » located in Seychelles, ,Suite 13, First Floor, Oliaji Trade Centre, Francis Rachel Street, Victoria, Mahe, Republic of Seychelles, which representative and economic beneficiary is Marc Catellani, a French national residing in Swiss resident.

None of the Company's principal shareholders has voting rights different from any other holders of the Company's Shares.
To the Company's knowledge, the Company is not aware of any person who owns, directly or indirectly, or exercises control of the Company.

The information collected is based on the notifications received by the Company from any shareholder exceeding either up or down the thresholds of 2,5%, 5%, 10%, 15%, 20%, 33%, 50% and 66% of the aggregate rights of vote in the Company.

Any shareholder crossing down the threshold of 2.5% has been withdrawn from the chart, as no obligation exists under Luxembourg law to inform the Company when the 0% threshold has been reached.

In reference to the Luxembourg law of May19th, 2006 the board especially states on the following points:

- The structure of the 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.

- 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

- 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 :
    - None of the Company's principal shareholders has voting rights different from any other holders of the Company's Shares.
    - To the Company's knowledge, the Company is not aware of any person who owns, directly or indirectly, or exercises control of the Company.
    - The information collected is based on the notifications received by the Company from any shareholder exceeding either up or down the thresholds of 2,5%, 5%, 10%, 15%, 20%, 33%, 50% and 66% of the aggregate rights of vote in the Company. Any shareholder crossing down the threshold of 2.5% has been withdrawn from the chart, as

no obligation exists under Luxembourg law to inform the Company when the 0% threshold has been reached.

- Post closing event: On 19 March 2010, the Company has been notified by Millenius S.A. a Luxembourg company having its registered office at 37 rue d'Anvers, L-1130 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B149.601 that it has crossed the threshold of 5% of the voting rights of the Company on 16 March 2010 and holds 7.744% of the rights of vote in the Company.

- The holders of any securities with special control rights and a description of those rights
  - This is not applicable

- The system of control of any employee share scheme where the control rights are not exercised directly by the employees
  - This is not applicable. The Group has no employee share scheme. Nevertheless, a share option plan has been set up. 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.

- 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

- 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;
  - To the knowledge of the board of directors, no shareholders agreements have been entered by and between shareholders.

- The rules governing the appointment and replacement of board members and the amendment of the articles of association;
  1. With respect to the appointment and replacement of board members, please refer to section 10.1 – Board of Directors of the Management Report
  2. Amendment of the Articles of Association of the Company:

According to article 23 of the articles of association of the Company, the extraordinary general meeting debating as defined below, may modify the Articles of Association in all their provisions. A change in the nationality of the Company and the increase in the commitments of the shareholders however may only be decided with the unanimous approval of the shareholders and of the bondholders.

The General Meeting may deliberate validly only if one half at least of the corporate capital is represented and if the agenda of the meeting includes the statutory changes considered, and as the case may be the wording of those bearing on the corporate purpose or legal form of the Company. In the event that the first of the above conditions is not fulfilled, a new meeting may be convened in accordance with statutory requirements, by way of notices inserted twice with a fifteen day interval at least and fifteen days prior to the date set for the meeting, in the Mémorial and in two Luxembourg newspapers. Such convening notice shall give the agenda of the meeting, inclusive of

the date and outcome of the previous meeting. The second meeting shall deliberate validly whatever the part of the corporate capital represented thereat. In order to be valid, resolutions as adopted must at both meetings be approved by two thirds at least of those shareholders present or represented thereat.
Any modification bearing on the corporate purpose or legal form of the Company must be approved by the General Meeting of bondholders. Such meeting shall deliberate validly only if one half at least of the securities outstanding are represented and if the agenda of the meeting includes the modifications considered. In the event that the first of the above conditions is not fulfilled, a new meeting may be convened in accordance with the same conditions as are provided for in the preceding paragraph.
At the time of the second meeting, bondholders who are neither present nor represented shall be considered as attending thereat and voting the proposals put forward by the Board of Directors.
Under penalty of nullity however:

- the convening notice must include the agenda of the first meeting, inclusive of its date and outcome ;
- it must specify the proposals of the Board of Directors regarding each one of the items on that agenda of the meeting, inclusive of any modification considered ;
- and include a notice intended for the bondholders that any failure on their part to attend the meeting shall represent an approval from them of the proposals put forward by the Board of Directors.

At the time of both meetings, resolutions shall be validly adopted if approved by two third of the votes.
Convening notices to General Meetings shall be issued in accordance with legal provisions. They shall not be necessary whenever all shareholders are present or represented and declare having had foreknowledge of the agenda of the meeting.
The Board of Directors may decide that in order to be able to attend the General Meeting, the owner of shares must deposit such hares five clear days prior to the date set for the meeting ; any shareholder may vote in person or through a proxy, who need not be a shareholder of the Company.
Each share entitles to one vote.

- The powers of board members, and in particular the power to issue or buy back shares; please refer to section 11.4 – Authorised capital not issued of the Management Report.
- 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;

    - Under the **SECURITIES NOTES AND SUMMARY DATED 22 MARCH, 2007** with respect to the issue of €175,000,461.60 seven year bonds with redeemable warrants attached, upon a Change of Control (as defined in Condition 4.1.8.1.2.1 of the related prospectus) in relation to the Company, each Bondholder will have the right to require the Company to redeem its respective Bonds as further described under clause 4.1.8.1.2.1 of the securities notes.
    - Under the **SECURITIES NOTES DATED 17 MAY 2006** with respect to the issue of a convertible Bond in a nominal amount of € 149 999 928 without preferential subscription

rights. In case of change of control the bondholders are entitled to ask for an early redemption in case of change of control as further described under clause 4.1.8.1.3.2. of the securities notes.

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

11.3 Stock subscription rights

During 2009, the stock option plan voted by the Board of Directors on 21 January 2008 was not allocated due to the financial conditions.
No options were exercised in 2009. As at 31 December 2009, 60,000 options at EUR 75.6 are outstanding.

11.4 Authorized capital not issued

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

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 shall be issued at the minimum at the par value price of EUR 4.10, a maximum total of 62 226 866 new shares may still be created.

11.5 Transactions on treasury shares in 2009

The table hereafter summarises the transactions realised by the Group in 2009 on its own shares:

	Acquisitions	Sales
Number of shares (% of total shares)	90,660 (0.83 %)	206,765 (1.89 %)
Fair value (EUR)	679,951.59	1,488,171.21
Average prices (EUR)	7.50	7.20

As at 31st December 2009, the Group owns 9,761 treasury shares (0.09% of total shares). In 2008, OPG owned 125 866 treasury shares representing 1.1 % of total shares.

During the year 2009, a share pledge agreement was signed between the company and Urso Verde S.A. (see note 31 of the consolidated financial statements on the related party transactions) to secure the debt linked to the loan granted in 2008 by the company to Urso Verde S.A.. As agreed by both parties, 90.660 shares of Orco Property Group S.A. were transferred by Urso Verde S.A. to secure the total debt amounting to EUR 679.951,59 from which 90,000 shares were finally sold by the Company to reimburse the debt. As at December 31, 2009, 660 own shares to be transferred back to Urso Verde S.A. were still held on company's portfolio with no book value.

11.6 Dividend policy

Holders of the Shares are entitled to the annual dividend proposed by the Board of Directors of the Company in respect of the Company's fiscal year. The declaration, payment and amount of dividends on the Shares are subject to the approval of the Shareholders at the annual shareholders' meeting.

The Company has paid dividends between 2004 (for the fiscal year 2003) and 2008 (for the fiscal year 2007). For the fiscal years 2005, 2006 and 2007, Orco offered its shareholders the possibility to have their dividends paid in cash or in new shares.

Given the economic crisis and the newly implemented cash flow policy, no divided was proposed & approved to be paid out in 2009 (for the fiscal year 2008) and no dividend will be proposed to be paid out in 2010.

12. Stock market performance

12.1 Shares of Orco Property Group S.A.

Orco Property Group shares (ISIN LU0122624777) are listed on Paris Stock Exchange (Euronext) since 2000, on the main market of Prague Stock Exchange since 2005 and on the main markets of Warsaw Stock Exchange and Budapest Stock Exchange since 2007.

Changes in share price (COB) and volume traded in 2009 on Euronext are listed below:

	Low	High	Volume
2009			
Jan-09	6.57	8.65	2 513 113
Feb-09	3.55	8.34	2 441 377
Mar-09	2.95	4.76	3 061 749
Apr-09	4.07	7.53	4 724 909
May-09	6.55	7.75	2 258 235
Jun-09	5.76	6.88	780 692
Jul-09	5.45	7.02	740 297
Aug-09	7.52	11.67	3 885 522
Sep-09	7.58	9.57	3 405 135
Oct-09	6.75	9.2	3 732 544
Nov-09	6.83	8.23	1 842 522
Dec-09	5.97	7.43	1 287 059
Lowest/highest of the year	2.95	11.67	
Total annual transactions			30 691 154

12.2. Other financial instruments of Orco Property Group

The table below sets forth the list of financial instruments of Orco Property Group.

Name	Type	ISIN
Orco Property Group shares	Equity	LU0122624777
Bond 2007 - 2014	Fixed income	XS0291838992
Warrant 2007 - 2014	Equity	XS0290764728
Convertible bond 2006 - 2013	Fixed income	FR0010333302
Variable rate bond 2005-2011	Fixed income	CZ0000000195
Bond 2005 - 2010	Fixed income	FR0010249599
Warrant 2005-2012 *Note: Exchange offer against 2014 warrants, closed in November 2007*	Equity	LU0234878881
Exchangeable bond into Hvar shares 2012	Fixed income	XS0223586420

13. Other reporting requirements

13.1. Subsequent closing event: See note 34 of the consolidated financial statements
13.2. Financial Risks Exposure: For a thorough description of the principal risks and uncertainties (see notes 3 and 4 to the consolidated financial statements).
13.3. Director’s compensation: see note 31 of the consolidated financial statements
13.4. Other information: The Group does not provide any activities in research and development.

13.5. The Company has established a branch registered in the Paris Trade and Companies register under number 512 817 933 R.C.S. Paris in France on 8 June 2009. The name of the Company's branch is ORCO PROPERTY GROUP. It is located at 21-25 rue Balzac, 75008 Paris – France.

14. Appendix

EPRA Valuation Data

The here below table gathers valuation information about every asset which has produced a rental income in 2009:

All values are in million euros	Number of assets	DTZ Market Value Euros	Valuation movement in the year Euros	Net Initial Yield	Reversionary Yield	Reverionary Potential
Office Czech Republic	5	158,0	- 0,6	4,69%	8,59%	83,26%
Industrial Czech Republic	4	30,0	- 8,0	9,48%	10,78%	13,72%
TOTAL CZECH REPUBLIC*	**9**	**188,0**	**8,6**	**5,28%**	**8,92%**	**69,07%**
Office Hungary	3	28,9	- 14,7	8,67%	10,77%	24,15%
Parkings Hungary	1	5,1	- 1,3	2,17%	0,00%	0,00%
TOTAL HUNGARY**	**4**	**34,0**	**- 16,0**	**6,54%**	**9,27%**	**N/A**
Industrial Poland	2	10,4	- 1,7	8,18%	12,86%	57,34%
Office Poland	1	5,5	- 0,1	5,59%	8,19%	46,43%
TOTAL POLAND	**3**	**15,9**	**- 1,8**	**7,29%**	**11,25%**	**54,45%**
TOTAL SLOVAKIA	**1**	**15,9**	**- 2,6**	**0,00%**	**9,35%**	**N/A**
Commercial GSG	3	74,4	2,6	6,86%	6,76%	-1,42%
Industrial GSG	1	4,5	- 0,3	29,81%	29,81%	0,00%
Mixed Commercial GSG	28	309,9	- 27,5	6,10%	6,20%	1,59%
Residential GSG	1	2,4	- 0,2	6,58%	5,37%	-18,44%
Residential/ Commercial GSG	11	52,4	- 0,4	7,49%	6,14%	-18,00%
Storage Production	1	0,8	- 0,8	4,14%	9,09%	119,57%
TOTAL GSG PORTFOLIO*	**45**	**444,4**	**- 26,6**	**6,63%**	**6,52%**	**-1,56%**
Commercial Germany	2	40,4	- 2,7	6,32%	7,22%	14,38%
Office Germany	4	160,6	68,2	2,13%	5,70%	167,86%
Mixed office Germany	2	13,3	0,5	5,56%	6,06%	9,01%
Residential Germany	2	2,4	- 0,2	4,70%	7,34%	56,19%
Retail Germany	1	5,8	- 0,8	9,69%	9,69%	0,00%
TOTAL GERMANY EXCL GSG*	**11**	**222,5**	**65,0**	**3,33%**	**6,13%**	**83,82%**
OFFICE Luxembourg	**1**	**27,9**	**- 2,5**	**5,91%**	**6,47%**	**9,43%**
TOTAL	74	948,6	12,1	5,56%	7,09%	27,65%
Molcom	2	53,0	- 1,0			
Other Czech Republic		-	-			
Hospitality		-	-			
Headquarter		-	-			
Oher Hungary		-	-			
Other Germany		-	-			
Other Poland		-	-			
Other Slovakia		-	-			
Vinohrady Portfolio		-	-			
Other		-	-			
GRAND TOTAL	75	1 001,6	11,1			

This spreadsheet also includes the assets that are classified in the “inventories” “” category; i.e.:

- Vysocanska Brana in the “Office Czech Republic” category;
- Rudna II in the “ Industrial Czech Republic” category;
- Peugeot in the “Industrial Poland category (sold in 2009 but not yet transferred)
- Sky Office and Helberger in the “Office Germany” category.

The reversionary potential, which is difference between the Reversionary yield and the Net initial yield expressed as a percentage stands at 27.65%, which reflect the fact that the rental portfolio has not reached its potential. By excluding the here below assets, it falls at 12.19%.

The cumulated DTZ market value as of end of 2009 of these 5 assets is EUR 175.3 Million (Vs. 94.5 in 2008).

Within the DTZ valuation scope, market value stands at EUR 948.6 Million (Vs EUR 936.5 Million in 2008) and at EUR 1,001.6 Million as a whole. By excluding from the scope Sky Office and Vysocanska Brana, market value falls to EUR 845.5.4 Million; i.e. -156.2 Million EUR compared to 2009.
The main variations are found in:

- The GSG portfolio which value decreased of EUR 26.6 Million
- The Czech Republic office assets where excluding Vysocanska Brana (EUR 21.2 Million in 2009 Vs EUR 9.6 Million in 2008), the value decreased of 10.9 Million EUR mainly due due to Bubenska (-7.4 Million EUR) and Radio Free Europe (-EUR 5.7 Million).
- The Hungarian office assets which decreased of 14.6 Million EUR due to Budapest Bank (-EUR 10.1 Million) which major tenant left at the end of 2009.
- The Office segment in Germany which increased of 65..08 Million EUR mainly due to Sky Office (+EUR 72.3 Million).

The Net initial yield is defined by the EPRA as the "annualized rent from a property or portfolio, at the balance sheet date, less non recoverable property operating expenses such as insurance, real estate taxes and other relevant costs"

Within DTZ valuation scope, it stands at 5.56% due to quite high vacancy rate in some assets (20.73%). Excluding Sky Office, Helberger, Peugeot, Rudna II and Vysocanska Brana, the initial yield reaches 6.42%

The Reversionary yield is defined by the EPRA as the "ERV of the property less property operating expense, expressed as a percentage of the market value of the property plus estimated purchaser's transaction costs"

Within DTZ valuation scope, it stands at 7.09%

Nota 1: An office building asset located in Prague (Bubenska) generating EUR 2.99 Million of yearly gross revenues has been released by its major tenant at the end of 2009. It is now almost vacant
Nota 2 : Two buildings in Budapest rented by the same tenant have been released at the end of 2009. The annual passing rent was EUR 2,7 Million.

Additional Information

1- Corporate Responsibility

The Orco Foundation is making a difference in people's lives in Central Europe via three areas of activity:

- Providing social programs that offer therapeutic solutions to individuals or families faced with illness or in distress;
- Creating events that bring together local communities and Orco employees for the benefit of the environment;
- In the long-term, renovating or constructing buildings dedicated to social works, whether it be a home for the elderly or a day center for at-risk youths.

The Orco Foundation is active in the Czech Republic, Germany, Slovakia, Hungary, Poland, and Croatia with a team of 15 dedicated board members. Created in January 2008, the Orco Foundation chooses local associations for its social programs, working with transparency and diligent follow-up on the projects it supports.

The Orco Foundation also organizes and funds its own events that occur annually such as Children for Children (Deti pro Deti) which mobilizes children and families to help children with cancer. For example, on March 25th 2010 in Ostrava, Czech Republic, a benefit concert with the Janacek Philharmonic, a children's choir, and well-known lyric artists, will raise money for the children's leukemia and hematology wing of local Poruba hospital, raising funds to employ a psychologist for families whose children have been diagnosed.

In 19 years of presence in Central Europe, Orco Property Group has not only brought architecturally innovative and esthetic buildings to cities in Central Europe, the company has actively supported charities that improve the quality of life of people in the region. The board of Orco Property Group voted in 2007 to unite the company's charitable activities in six countries under one roof – hence the creation of the Orco Foundation.

For detailed information on the Orco Foundation -- its missions, guiding principles, its team and actions, please visit the following website: www.orco-foundation.com

2- Market environment

The following section provides selected information on the real estate markets in Central and Eastern Europe, focusing on selected countries where the Company is active. The summary is provided for information purposes only and neither purports to cover all relevant issues nor to be a comprehensive description of all the topics discussed below.

The Czech Republic

Economic environment in the Czech Republic

Year-on-year real GDP decrease for the Czech Republic was -4.4 % in 2009, versus 2.5 % growth in 2008. The registered unemployment rate went up to 7.98% on average in 2009, vs. 5.45% in 2008 (Czech Statistical Office)

Real estate investment

In 2009, investment turnover in the Czech Republic reached EUR 400 Million in 2009, down 64 %, according to CB Richard Ellis. On the positive side, Q4 2009 investment turnover was the highest since Q3 2008. With the largest deals in terms of value being closed at the end of 2009, investment volume for Q4 2009 amounted to EUR 280 Million due to five transactions, representing 80 % of the 6 year quarterly average. Foreign purchasers accounted for 72% of total investment volume, with German investors being the most active.

Real estate market in the Czech Republic - Office

- For the whole year, take-up for office space has been resilient and totaled 245,000 sqm (only 7 % down on 2008)

- According to association Prague Research Forum the office space vacancy rate in Prague slightly increased to almost 12 % in the fourth quarter of last year, from 10.4 % at the end of the third quarter of 2009.
- Around 120,000 sqm of office space have been delivered in 2009 in Prague, according to CBRE. At the beginning of 2008, the pipeline for the Czech capital in 2009 was calculated at 300,000 sqm, but this was later significantly reduced due to the impact of the credit crunch.
- According to Jones Lang LaSalle there should be 85,000 m2 of newly completed leasable office space in Prague in 2010. This would represent the lowest value since 2011. As a result of the low number of projects that commenced this year the biggest gap in the offer may be seen in 2011. (CIA)
- Over the year the office segment saw the largest share of investment, accounting for 90 % of the total investment volume in 2009. The sale of City Tower for EUR 130 Million was the biggest transaction on the market in 2009. (Czech AM)
- Prime office yields for Prague kept on being stable at 7.25%, slightly increasing from 7% in Q4 2008 (JLL).

Real estate market in the Czech Republic - Retail

- According to Cushman & Wakefield the retail area in the Czech Republic totaled almost 190 m2 per 1,000 residents this represents 90 % of the Europe average. Given the speed of new construction, which almost matches the current European average, the company does not expect this value to change markedly before the end of 2010.
- Total modern retail stock (>5,000 sq m centers) in the Czech Republic stands at 2.73 Million sq m, Prague accounts for 33 % of total stock (DTZ)
- After almost 18 months of upward yield movement, prime yields look to have stabilized in Q3 2009 and stay around 7% versus 6.5% in 2008 (C&W)
- Prime rents in Prague’s shopping remained stable at EUR 150/ monthly per sq m as of Q4 2009 (JLL)

Real estate market in the Czech Republic – Industrial

- Only 8,100 sq m of new supply was delivered in Q4 2009, a 65% drop q-o-q and 91% drop y-o-y; the only completion in Q4 2009 was VGP Park Liberec H5 (8,100 sq m) (DTZ)
- Prime industrial rents in Prague were at EUR 2/ sqm/ monthly as of Q4 2009, while prime yield reached 8.75% (JLL)

Real estate market in the Czech Republic – Residential development

- 2009 saw a drop in demand for new residential development units, thus generating a drop of 20% in selling prices on average (own estimates)
- In 2009 Czech developers focused on completing existing projects rather than starting new ones, therefore creating a drop in the pipeline for 2010- 11
- In Czech Republic, 38K dwellings have been delivered (+0.4% YoY) , 37K new dwellings have been started (-14.3% YoY), and 24K occupancy permits delivered (-9.11% YoY) (Czech Statistical Office)
- On the contrary, Prague displayed more resilient figures with 7400 completed dwellings (+16.9% YoY), 6400 dwelling started (-8% YoY) and 4700 occupancy permits delivered (-11.5%) (Czech Statistical Office)

Poland

Economic environment in Poland

- Out of the EU countries only Poland managed to sustain positive GDP growth over the course of 2009

Real estate market in Poland – Office

- Over the year, despite the turbulence, the Polish real estate market managed to remain one of the most stable in the region, without seeing any rapid decreases in values. According to CBRE’s data, in 2009 the average vacancy rate on the Polish office market stood at 7%, while other CEE countries are faced with vacancy rates as high as 15-20 %
- In 2009 the modern office stock in Warsaw increased by 266,000 sq m, which was the highest volume of annual supply recorded since 2001. It has brought the total office stock in Warsaw to nearly 3.25 Million sq m (DTZ)
- The pipeline supply scheduled for completion in 2010 amounts to approximately 190,000 sq m. It is lower than in the previous 3-4 years due to problems in obtaining financing, experienced by developers since the end of 2008 (DTZ)

- Prime office yields in Warsaw remained around 7% (7.25% vs 7% YoY) (JLL)

Real estate market in Poland – Industrial

- The modern logistics market at the end of 2009 stood at the level of over 6.3 Million sq m, which represents some 18% growth on 2008 (DTZ)
- The construction activity in the opening six month of 2009 was very strong with 770,000 sq m delivered during that time. Majority of that space was delivered on speculative bases, which due to weaken demand resulted in the increasing vacancy towards the end of the year (DTZ)
- Prime industrial rents in Warsaw were at EUR 5.8/ sqm/ monthly as of Q4 2009, while prime yield reached 8.75%, representing a 3.3% YoY decrease (JLL).

Real estate market in Poland– Residential development

- 2009 saw a drop in demand for new residential development units, thus generating a drop of 20% in selling prices on average (own estimates)
- In 2009 Polish developers focused on completing existing projects rather than starting new ones, therefore creating a drop in the pipeline for 2010-11
- In Poland, over the year 160K dwellings have been completed, (-3.1% YoY), and 143K dwellings have been started (-18.2% YoY)) (Polish Statistical Office)
- However, the number of new residences is predicted to decline by 10 to 20% in 2010. In 2011, according to the Association, the number of new dwellings will be down by additional 20% in comparison to the 2010 figures. (PAP)
- In Warsaw, 19K dwellings have been delivered (-0.4% YoY), 26K new dwelling have been started (-15% YoY) and 28K occupancy permits have been delivered (-18,% YoY) (Polish Statistical Office)

Germany

Economic environment in Germany

- In 2009 GDP shrank for the first time in six years. The fall of 5% is the worst that Germany has had to bear since the post-War period (DTZ)
- The current forecasts from Oxford Economics already foresee a return to positive growth of 1.6% in 2010 with exports (+3.9%) being primarily responsible for this (DTZ)

Real estate market in Germany - Office

- For 2009 as a whole, office space take-up of about 445,000 sq m was registered in Berlin. That means take-up has fallen for the third time in a row. The difference to 2008 was 48,000 sq m or just under 10%. (DTZ)
- Compared nationally Berlin has stood up very well. The four other important German office markets have reacted far worse to the difficult economic conditions. They faced declines in take-up of between 28% (Hamburg) and 42% (Dusseldorf). (DTZ)
- Over the year as a whole 116,100 sq m newlybuilt or substantially refurbished space became ready for occupation in Berlin. This volume is slightly higher than that for 2008 (104,000 sq m) and slightly lower than that for 2007 (130,000 sq m) (DTZ)
- Prime office rents in Berlin were at EUR 20/ month/ sqm as of Q4 2009, representing 9.1% YoY decrease. Prime office rents in Düsseldorf were at EUR 22/ month/ sqm as of Q4 2009, representing 2.2% YoY decrease. (JLL)
- Vacancy rate for office space in Berlin represented 9.4 % as of Q4 2009 (vs. 7.3% in Q4 2008), while vacancy rate reached 12.3% in Düsseldorf (vs. 10.4% in Q4 2008) (JLL)

Real estate market in Germany - Retail

- JLL estimates the prime yields at 4.7% for Berlin retail space, meaning a decrease of more than 50 bp YoY
- Prime rents in Berlin’s shopping remained at EUR 220/ monthly per sq m as of Q4 2009, same as in Q4 2008 (JLL)

Real estate market in Germany – Industrial

- Prime industrial rents in Berlin were at EUR 4.5/ sqm/ monthly as of Q4 2009, while prime yields reached 7.75% (vs. 7.45% in Q4 2008) (JLL).

Hungary

Economic environment in Hungary

- In 2009 as a whole the performance of the economy dropped by 6.3% (6.2% after calendar adjustment) after an expansion of 0.6% in the previous year. (Hungarian Statistical Office)
- Unemployment rate was at 10.1% in 2009, compared to 7.9% in 2008 (Hungarian Statistical Office)

Real estate market in Hungary- Office

- In total, 230,000 sq m office accommodation was delivered to the market between January and September 2009, and according to further completions in Q4, DTZ expects 2009 to have the highest new supply in the history of the Budapest office market. (DTZ)
- Due to the large amount of new supply and the low net take-up level, the vacancy rate increased by 171 basis points to 19.73%. (DTZ)
- Prime office yields in Budapest were at 7.75% in Q4 2009 (vs. 7.25 % in Q4 2008) (JLL)
- Prime office rents in Budapest were at EUR 20.5/ month/ sqm as of Q4 2009, representing 6.8 % YoY decrease (JLL)

Real estate market in Hungary - Retail

- JLL estimates the prime yields at 7% for Budapest retail space (vs. 6.5% in Q4 2008)
- Prime rents in Prague's shopping remained were at EUR 130/ monthly per sq m as of Q4 2009, representing a 13.3% YoY decrease (JLL)

Slovakia

Economic environment in Slovakia

Year-on-year real GDP decrease for Slovakia was -4.7 % in 2009. The registered unemployment rate went up to 12.1% on average in 2009, representing a 25.9% YoY increase. (Source: Slovak Statistical Office)

Real estate market in Slovakia – Residential development

- The Slovak Residential Market saw its worst year on record across the board with all the major developers. Speculators in the years 2005-2007 were making huge leaps of faith that Bratislava would become as big a city as Vienna, Prague, and Budapest. Therefore, developers began building in major volume and have now flooded a market that cannot take up the number of units, nor the prices inflated during the development stages.
- Developers throughout the city have now been forced to reduce prices to increase sales.
- Slovakia became a non-existent lending market during 2009.
- 2010 should be a better year as banks may restart to lend and at the same because of a lower number of available completed dwellings

Russia

Real estate market in Russia- Office

- Prime office yields in Moscow were at 12% in Q4 2009 (vs. 11 % in Q4 2008) (JLL)
- Prime office rents in Moscow were at USD 58.3/ month/ sqm as of Q4 2009, representing 50 % YoY decrease (JLL)
- Vacancy rate in Moscow was at 18.9% in Q4 2009, compared to 15.1% in Q4 2008

Real estate market in Russia - Logistics

- Moscow's warehouse market was significantly affected by the economic crisis
- The total stock of quality warehouse premises in Moscow region is slightly over 3.2 Million of which 746,000 sqm delivered in 2009 (CBRE)
- In 2009, many groups initiated aggressive "rightsizing" in face of the la strategies in face of the large amounts of speculative developed space left vacant. Occupiers are now looking to utilize less space and increase it sefficiency
- Total net absoption of quality warehouse space in 2009 was 505,000 sqm, making the vacancy rate go from 3.5% to 15.6%. However, according to CBRE, vacancy shoul stabilize in mid 2010 and then fall from H2 2010 to come back to normal vacancy rates of 6 to 7% over the next four years
- Prime rents declined through 2009 of 35% to USD 100/ sqm/ month triple net

Croatia

Economic environment in Croatia

- According to the flash estimate gross domestic product decreased in real terms by 5,8% in 2009, compared to 2008 (Croatian Statistical Office)
- Unemployment rate stood at 9.2% as of Q4 2009 (Croatian Statistical Office)

Hospitality market in Croatia

- After being one of the top new destinations, with arrivals and bednights increasing between 2000 and 2005, Croatia and Dalmatia region showed a slowdown in tourism activity, with even a drop in bednights in 2006 and 2007. Split-Dalmatia region generated around 15% of the country's bed nights in 2008. After a 10.8% growth in bednights recorded in 2007, 2008 showed little increase with shorter average lengt of stay (3.5 night per stay).
- Hotel market in Hvar mostly consists of four star hotels, mainly held by Sunčani Hvar. New hotel projects on the island Hvar are still in planning phase and will not represent a threat to Sunčani Hvar in the near future, since they are mostly mixed-use projects (own research)

3- Commercial developments completed in 2009

This sections provides a detailed description of the ten commercial projects that were completed in 2009:

Sky Office is a 89-metre-high office tower located on Kennedydamm street in Düsseldorf, Germany. It is on the way from city-center to the airport, well connected to public transportation. The building offers a flexible leasable area of approx. 33 K sqm across 23 floors. Its occupancy as of December 2009 reached 65%, with tenants such as McKinsey, Lovells, EssArt, Dutch Consulate, etc. The project was financed through a EUR 100 Million loan maturing in 30.12.2010 plus a EUR 14 Million bridge loan which is expected to be refinanced in spring 2010..

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H2 Office is located in the inner harbour of Duisburg. H2-Office comprises the second phase of the complete H2-project (phase 1 was finished in 2004 by Viterra and was sold). Occupancy in H2 Office as of December 2009 reached 23%, with tenants such as ERR European Rail Rent, VaPiano, and Chillies. Helaba has provided a 25m EUR senior credit line maturing in Dec 2010 and a 3m EUR bridge facility maturing in March 2010. The building is expected to be sold in spring 2010.

The Kursana Nursinghome in Gütersloh is a new nursing home with an integrated commercial unit. The construction was started in July 2008 and completed in September 2009. The building is completely let. The nursing home consists of approx 6,6 sqm net area and commercial-space of about 541 sqm rentable area. The nursing home possesses 135 rentable beds overall. The property is financed by a loan of approx. 8.450.000 EUR maturing at 31.12.2011.

The estate "Louise-Henriette von Oranien" in Oranienburg is a newly constructed building complex used in one part as a nursing home with 3 integrated commercial units and in a second part as a facility for assisted living with an ambulant care center. The construction was started in June 2008 and completed in July 2009. The nursing home, the integrated commercial units and the assisted living is operated by Michael Bethke Seniorenresidenzen GmbH. The ambulant care center is rented by the Ambulanter Krankenpflegedienst Michael Bethke. The building is fully let. The nursing home offers 123 beds overall. The senior assisted living houses offers 27 apartments. The property is financed by a loan of approx. 7.800.000 EUR maturing at 30.12.2013.

The estate Kervita Nursinghome in Rostock is a newly constructed nursing home. The construction started in June 2008 and was completed in July 2009. The nursing home is operated by KerVita Betriebs GmbH. The building is fully let. The property offers approx. 5.7K sqm rentable space on four levels with 139 nursing beds. The property is financed by a loan of approx. 6.900.000 EUR maturing at 30.12.2012.

Those 3 above nursing homes are expected to be sold in spring 2010.

Hradcanska is a refurbished office building located on Hradcanska street in Prague 6, Czech Republic. It is on the way from the city center to the airport, with very good connections to public transportation (located directly on top of a metro station). Hradcanska was acquired in 2007 as a destabilized asset and it has been refurbished by Orco as a prime asset. Construction works began in Q1 2008 and were finalized in Q1 2009. The asset offers a total leasable area of 10K sqm,. Occupancy as of December 2009 reached 36%, with average rent of EUR

14/sqm (office) and EUR 33/sqm (retail), main tenants being KB and DM Drogerie. The asset is financed with EUR 13 Million loan maturing in June 2010.

Palac Archa (Na Porici) is a refurbished block of buildings located on Na Porici street, downtown Prague, Czech Republic. The asset benefits from excellent transport links with trams and metro stops in close proximity.Orco refurbished it in two phases since 2007 until Q1 2009. The property now offers approx. 24 K sqm of prime leasable area (16.5K sqm office, 5K retail, 1.5 storage, 120 parking spaces). As of December 2009, the occupancy of Palac Archa reached 48.5%, with all the retail space being rented out. The asset is financed with EUR 36,5 Million development loan maturing in December 2010.

Vysocany Gate (Vysočanská Brána) is a a mixed use building located on the main junction of the Ceskomoravska and Sokolovska roadways in Prague, Czech Republic. The two routes provide the main exit roads eastwards from the city centre. The Metro B stations of Palmovka and Ceskomoravska are within walking distance from the site and there are several tram lines located at the front of the property. There are several new residential and commercial developments in the nearby area, as well as the Sazka Arena. The Property was constructed according to high specifications (inclusive of suspended ceilings and raised floors) between Q3 2007 and Q2 2009. Vysocany Gate offers a total leasable area of approx. 16.8 K sqm.The building is financed by the contractor. The building is expected to be sold in spring 2010.

Paris Department Store is located on Andrássy út, which is the most important and prestigious road in Budapest, Hungary. The Property comprises a six storey historical building, originally built in 1885, as a department store that has been classified as a national monument. It was the first building in Hungary purpose built to be a modern department store. In 2007, Orco undertook to refurbish the building and transform it to a modern office building with retail units on the ground & first floor and office space on the top floors. The refurbishment works were finished in May 2009 and the grand opening took place in November 2009. Paris Department Store boasts a total of 5.9K sqm leasablea area, out of which 1,7K sqm of retail space and 3.7 sqm of office space. Occupancy as of 2009 year end reached 35%, with Alexandra Bookstore being the main tenant. The asset is financed by EUR 16,6 Million loan maturing in 2011; yearly extension till 2016 if no breach.

Radischevskaya office building is located in downtown Moscow, Russia on Verkhnyaya Radischevskaya Str. The office building is situated in the Central Administrative District (CAD) of Moscow between the Boulevard Ring and the Garden Ring, in close proximity to Taganskaya metro station (5 minutes walk). Therefore the property benefits from good transport links both for pedestrians and private car owners. The accommodation within the Property is over 4 levels: lower ground floor, two upper floors and an attic. The building was constructed at the beginning of the 19th Century. In 2008, Orco started refurbishment works which were concluded in Q3 2009. Reconstruction works included facade restoration and beautification of internal courtyard. The Property is constructed on a corner site, with the main entrance to the rear, leading into a courtyard. There is surface parking in the courtyard of the building for 4 cars. The Property offers a total leasable area of approx. 1.7 K sqm, mainly office space. The building was still vacant as of December 2009. The property is financed by equity.

Peugeot is a car showroom and repair centre of 4,030 sqm in a prime Warsaw location. More precisely, it is located on Radzyminska Street which is the main road leading to the west of Poland and national road no.7. It is leased to Peugeot Polska, for a fixed term of 10 years with possibility to extend for a further 10 years. The annual rental revenue of PLN 1.8 Million (EUR 0.44 Million) with all service charges paid by the Tenant.

4- Residential projects completed in 2009

During 2009 the Company completed constrction works in 6 residential projects, which are listed below:

Plachta 3 is located in Hradec Kralove, Czech Republic approximately 120 km east of Prague. The Plachta scheme is a large residential development located approximately 2.5 km to the south-east of the town centre. It is also in close proximity to the residential area of Malsovice. Construction works were completed in three phases between 2004 and 2009. Phase 3 was completed in Q4 2009 and offers 89 apartment units. The scheme also incorporates 48 parking spaces and 78 cellar/storage areas. The project was financed through group’s equity.

Michle (Tyršův Vrch) is located on the Magistru road, in the north of the Michle district, in Prague 4, Czech Republic. The site is approximately 3km from Prague city centre. The land use in the surrounding area is predominantly residential. The property is accessible by tram and road links which lead to the city centre. Between Q1 2008 and Q2 2009, the building has undergone redevelopment. It comprises 49 apartments and 58 car parking spaces. The total net area of the scheme (including cellar space) is 3954 sqm. The project was financed by group' equity.

Kosik 3A (Slunecni Vrsek) is situated approximately 7.5 km south east of Prague city centre, near to the Hostivar district in Prague 10, Czech Republic. The site has good access links via K Horkam and a road connecting Hostivar to Chodov. The nearest public transport is a bus services with metro stops located to the south in Chodov and Opatov. This is a large & phased residential development for a capacity of approximately 1000 units. Construction works on phase 1 started in 2005. The latest phase, with a capacity of 233 units, was developed between Q2 2008 and Q3 2009. The project was financed by EUR 9 Million loan, maturing in 2011.

Nove Dvory is located approximately 4/5 km from Prague city centre, in the predominantly residential area of Prague 4. Construction commenced in Q3 2007 and lasted until Q2 2009. The completed scheme comprises 8,700 sq m of sellable area inclusive of 100 apartments and 100 car parking spaces, as well as terrace and cellar space. The project was financed by EUR 10 Million loan, maturing in 2011 and has already been fully repaid.

Benice 1A is situated between the villages of Benice, Cestlice and Pitkovice in the south east of Prague, approximately 13 km from the city centre. The site can be accessed fairly easily from Exit 6 of Highway D1. Construction works on phase 1 commenced in 2007. Phase 1 is divided into phase 1A and 1B. Phase 1A comprises 8 completed residential houses of total area of 2,112 sq m. Phase 1B comprises residential units constructed to a shell and core specification. Phase 1B also comprises an element of commercial and apartments units. The project was financed by EUR 9 Million loan, EUR 4 Million have been repaid in 2009, the rest will be repaid from sale of remaining units within maturity in 2010.

Feliz Residence/ Drawska is located in Ochota district of Warsaw, Poland. The development comprises a multi-family residential scheme inclusive of 40 apartments (4,417 sq m sellable area) and basement car parking for 44 parking spaces. The 4 storey buildings are finished to a high specification and incorporate intelligent and energy saving solutions. The project was developed between Q2 2008 and Q3 2009. The project was financed by EUR 4 Million loan, maturing in 2010.

Mokotowska comprises a site of 722 sqm, located on Mokotowska 59 street in the Śródmieście district of Warsaw, one of the City's most prestigious and prominent locations. Orco extended the building and put it through general refurbishment, which was concluded in Q2 2009. The accommodation within the building comprises 14 apartments with 14 covered car park places and 2 retail units on the ground floor. The total net area of the building amounts to 1837 sqm. The project was financed with the bank loan, fully repaid in 2009.

5- Ongoing Commercial developments

Vaci 1 (former Budapest stock Exchange) is located at the corner of the busiest shopping street, Váci utca and Vörösmarty tér in downtown Budapest, Hungary. The building was constructed between 1911 and 1915 and it comprises nine floors including a lower basement, a basement, a lower and an upper ground floor, a mezzanine level, and four upper floors. Orco purchased this building in 2005 and is currently refurbishing and converting it into a luxury department store with a restaurant on the roof. The works began in the spring of 2008 and are estimated to conclude in Q2 2011. After refurbishment, 11000 sqm. of net lettable retail accommodation will be available. Vaci 1 is already 19% pre-leased a. The project is financed through EUR 46 Million loan limit maturing in 2012; yearly extension till 2017 if no breach. Its market value as of December 2009 reached EUR 40.1 Million.

Molcom warehouse extension. The project is an extension of the current warehouse, which is located in the north-east of Moscow Region, within 14 km from MKAD via Yaroslavskoeshosse, close to Pushkino town. The Property comprises a green-field land plot of approximately 4 hectares. The land was designated for the development of a warehouse/ logistics complex (which is almost completed). The completed development will extend to a gross build area of approximately 20500 sq m of light industrial/ logistics accommodation. This phase should be completed in 2010. The new space is to be occupied by existing tenants of Molcom warehouse. The project is financed through USD16 Million loan maturing in 2015. The property's market value as of December 2009 reached EUR 7.5 Million.

ORCO PROPERTY GROUP

Declaration Letter
Annual Financial Reports
As at 31 December 2009

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.

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Acting as directors of ORCO PROPERTY GROUP, *société anonyme*, with registered office at 40 Parc d'Activités Capellen 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, March 31, 2010

Jean-François OTT
Managing Director
ORCO PROPERTY GROUP

Nicolas TOMMASINI
Director
ORCO PROPERTY GROUP

ORCO PROPERTY GROUP

Consolidated financial statements

Orco Property Group's Board of Directors has approved on 26 March 2010 the consolidated financial statements for the year ended 31 December 2009. All the figures in this report are presented in thousands of Euros, except if otherwise explicitly stated.

I. Consolidated income statement

The accompanying notes form an integral part of these consolidated financial statements.

	Note	Year ended 31 Dec 2009	Year ended 31 Dec 2008
Revenue	5	**251,531**	**299,926**
Net loss from fair value adjustments on investment property	5, 8	-177,598	-216,951
Other operating income		3,150	6,195
Net loss on disposal of assets	5, 8	-631	-1,060
Cost of goods sold	14	-115,726	-127,762
Employee benefits	22	-49,286	-59,342
Amortisation, impairments and provisions	5, 9, 14	-89,354	-188,517
Other operating expenses	23	-76,303	-99,260
Operating result		**-254,217**	**-386,771**
Interest expenses	19	-86,850	-74,719
Interest income	19	8,707	10,110
Foreign exchange result	24	4,686	-21,194
Other net financial results	25	-36,700	-41,839
Financial result		**-110,157**	**-127,642**
Loss before income taxes		**-364,374**	**-514,413**
Income taxes	26	48,858	50,595
Net loss for the year		**-315,516**	**-463,818**
Total loss attributable to:			
non controlling interests	18	-64,952	-73,258
owners of the Company		**-250,564**	**-390,560**
Basic earnings per share (in EUR)	27	-23.35	-36.94
Diluted earnings per share (in EUR)	27	-23.35	-36.94

II. Consolidated statement of comprehensive income

The accompanying notes form an integral part of these consolidated financial statements.

	Year ended 31 December	
	2009	**2008**
Loss for the year:	**-315,516**	**-463,818**
Other comprehensive income		
Currency translation differences	-3,762	-13,532
Total comprehensive income for the year	**-319,278**	**-477,350**
Total comprehensive income attributable to:		
- owners of the Company	-253,427	-400,419
- non controlling interests	-65,851	-76,931

III. Consolidated balance sheet

The accompanying notes form an integral part of these consolidated financial statements.

Assets	Note	31 December 2009	31 December 2008	
NON-CURRENT ASSETS		**1,392,979**	**1,710,798**	
Intangible assets	7	**48,903**	**57,074**	
Investment property	8	**1,072,304**	**1,211,718**	
Property, plant and equipment		**235,677**	**363,973**	
Hotels and own-occupied buildings	9	215,393	245,273	
Fixtures and fittings and other equipments	11	20,284	19,027	
Properties under development	12	-	99,673	
Financial assets at fair value through profit or loss	13	**32,353**	**70,681**	
Deferred tax assets	26	**3,742**	**7,352**	
CURRENT ASSETS		**630,554**	**753,312**	
Inventories	14	482,605	529,827	
Trade receivables		31,379	36,962	
Other current assets	16	56,347	95,436	
Derivative instruments	19	2,695	5,098	
Current financial assets		488	2,190	
Cash and cash equivalents	17	57,040	83,799	
ASSETS HELD FOR SALE	8, 9, 10	**48,930**	**-**	
TOTAL		**2,072,463**	**2,464,110**	

Equity and liabilities	Note	31 December 2009	31 December 2008	
EQUITY		**104,730**	**420,874**	
Equity attributable to owners of the Company		**56,577**	**304,633**	
Non controlling interests	18	**48,153**	**116,241**	(1)
LIABILITIES		**1,967,733**	**2,043,236**	
Non-current liabilities		**1,021,463**	**1,468,366**	
Bonds	19	409,397	429,437	
Financial debts	19	484,634	826,483	
Provisions & other long term liabilities	20	16,918	29,625	
Derivative instruments	19	9,289	14,917	
Deferred tax liabilities	26	101,225	167,904	
Current liabilities		**894,819**	**574,870**	
Current bonds	19, 21	59,219	11,075	
Financial debts	19, 21	595,776	298,761	
Trade payables	21	33,480	59,577	
Advance payments	21	53,212	61,120	
Derivative instruments	19	44,380	38,382	
Other current liabilities	21	108,752	105,955	(1)
Liabilities held for sale	10, 21	**51,451**	**-**	
TOTAL		**2,072,463**	**2,464,110**	

(1) Restated: see Note 2.1.4. for adjustments on comparatives

IV. Consolidated statement of changes in equity

The accompanying notes form an integral part of these consolidated financial statements.

	Note	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 1 January 2008		44,431	395,762	28,498	-15,158	280,667	734,200	203,823	938,023
Gains/(losses) for the year :									
Translation differences				-9,859			-9,859	-3,673	-13,532
Loss of the year						-390,560	-390,560	-73,258	-463,818
Dividends relating to 2007						-14,892	-14,892	-341	-15,233
Capital increase	28	439	4,762			-337	4,864	1,235	6,099
Own equity instruments					-5,161	-1,050	-6,211		-6,211
Non controlling interests' transactions						-12,909	-12,909	-11,545	-24,454 (1)
Balance at 31 December 2008		44,870	400,524	18,639	-20,319	-139,081	304,633	116,241	420,874
Loss for the year :									
Translation differences				-2,863			-2,863	-899	-3,762
Loss of the year						-250,564	-250,564	-64,952	-315,516
Total comprehensive income				-2,863		-250,564	-253,427	-65,851	-319,278
Own equity instruments	19				945	2,923	3,868		3,868
Non controlling interests' transactions	18					1,503	1,503	-2,237	-734
Balance at 31 December 2009		44,870	400,524	15,776	-19,374	-385,219	56,577	48,153	104,730

(1) Restated: see Note 2.1.4. for adjustments on comparatives

V. Consolidated cash flow statement

The accompanying notes form an integral part of these consolidated financial statements.

	31 December 2009	31 December 2008
Operating result	**-254,217**	**-386,771**
Net loss from fair value adjustments on investment property	177,598	216,951
Amortisation, impairments & provisions	89,354	188,517
Net loss on disposal of assets	631	1,060
Stock options and warrants plans	3,500	-
Adjusted operating profit/(loss)	**16,866**	**19,757**
Financial result	-433	26
Income tax paid	-3,711	-17,896
Financial result and income taxes paid	**-4,144**	**-17,870**
Changes in operating assets and liabilities	**-23,656**	**-84,324**
NET CASH USED IN OPERATING ACTIVITIES	**-10,934**	**-82,437**
Capital expenditures and tangible assets acquisitions	-36,258	-206,950
Proceeds from sales of non current tangible assets	66,574	133,594
Purchase of intangible assets	-390	-1,648
Purchase of financial assets	-1,159	-21,131
Net interest paid	-77,900	-70,961
NET CASH USED IN INVESTING ACTIVITIES	**-49,133**	**-167,096**
Net issue of equity instruments to shareholders	945	40
Proceeds from borrowings	97,032	324,053
Repayments of borrowings	-65,249	-233,519
Dividend paid to Company's shareholders	-	-14,892
NET CASH FROM FINANCING ACTIVITIES	**32,728**	**75,682**
NET DECREASE IN CASH	**-27,339**	**-173,851**
Cash and cash equivalents at the beginning of the year	83,799	257,977
Exchange difference on cash and cash equivalents	580	-327
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**57,040**	**83,799**

Notes to the consolidated financial statements

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 of investment properties in Central and Eastern Europe. It is principally involved in leasing out investment properties under operating leases as well as in asset management, in operating hotels and extended stay hotels and is also active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business.

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

The Company is listed on the Euronext Paris stock exchange, the Prague stock exchange, the Budapest stock exchange and the Warsaw stock exchange.

These consolidated financial statements have been approved for issue by the Board of Directors on 26 March 2009.

The Board of Directors has the power to amend the consolidated financial statements after issue.

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.

The consolidated financial statements are presented in thousands of euros and have been prepared under the historical cost convention except that investment property is carried at fair value and financial assets and financial liabilities (including derivative instruments) at fair value through income statement.

2.1 Basis of preparation and Going concern

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

2.1.1 Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3. In general, the situation is comparable to the one described in the 2008 consolidated financial statements and the economic environment in which the Group operates has stabilized. Even though the valuation of certain investment properties and developments further decreased, the Group has made progress in the implementation of its restructuring plans allowing the same conclusion on the going concern.

2.1.1.1 2008 results

In the year ended December 31, 2009, the Group has made a loss of EUR 315.6 million (EUR 250.6 million attributable to the Group) out of which EUR 248.1 million (approximately the same level as at June 2009 since the higher devaluations of investment properties have been compensated by lower impairments on developments, EUR 371.8 million in 2008) for lower valuation due to the financial crisis. The Group witnessed a further increase of the loan to value to 84.3% as at December 2009 compared to 67.5% as at December 2008. Valuation in its nature is on an asset by asset basis, with each city where we do business affected at different degrees by the crisis. Each project is at a different stage and its success lies in a mix of customer demand and bank financing availability to us as developer, or as landlord when we decide to keep a building for rental revenues. As such the portfolio of income producing assets, mainly rent, has been cautiously devaluated down to reflect yields increasing by 50 to 150 basis points and currency risks. Developments are more complex to value due to their uncertain nature. Parameters to take into account are, among others, the land bank value, permits, pre-sales, sales, construction achievements, replacement cost and developer's expected margins. The Management is confident that the valuation of the Group assets is cautious and although one shall not decline the possibility for the market to worsen it shall also see that the value creation in real estate is based on the different parameters listed above and the Management capacity to implement them. As such one shall see also the possibility to rebound, in some cases, just by completing construction.

The loss, being mainly the consequence of the decrease in the valuations of the properties and developments, caused further breaches of bank financing covenants (see note 19). As a result some bank loans might be recalled by the financing banks. However, no early repayment call was made on that basis during 2009. The decrease in value is not only the result of the market evolution but also linked to the projects that have been put on hold. This should allow a fast value creative restart once the balance sheet restructuring will be finalized. The total amount of debts to be refinanced or repaid upon sale of the assets in 2009 amounts to EUR 706.4 million (See note 19.3 on borrowings maturity). This amount includes EUR 59.2 million of bonds that are proposed to be termed out within the Plan de Sauvegarde, EUR 51.4 million of loans financing assets that are held for sale and EUR 179.7 million of loans with a contractual term of more than one year but technically considered in breach while not declared in default by the banks. The remaining part of EUR 416.1 million is planned to be either prolonged upon successful negotiations with the lending bank or repaid upon sale of the financed asset.

2.1.1.2 “Procédure de Sauvegarde”

Beginning of 2009, Orco Property Group’s Board of Directors decided to apply for the Company to benefit from a Court Protection from creditors (“Procédure de Sauvegarde”). A Court Hearing was held on 25 March 2009 with the Paris Commercial Court (“Tribunal de Commerce de Paris”). On the same day, the Court rendered a judgement opening the “Procedure de Sauvegarde” (the “Sauvegarde”) for Orco Property Group S.A., the Group’s parent company, and Vinohrady SARL, a French subsidiary, for a renewable six months period. Since then, the initial period has been prolonged twice with the last period end in June 2010. By the end of March 2010, a Plan de Sauvegarde will be circulated to all the Company creditors and submitted for approval before the end of the Procédure de Sauvegarde to the Court. The Board of Directors and the Management are confident that the plan prepared forms a sustainable business plan allowing the Company to repay the bonds and other debts over the coming ten years.

During the Sauvegarde period, all the liabilities prior to the judgement pronouncement are frozen. This means that, except for a Court decision to early terminate the Sauvegarde which is seen by the Management and the Board of Directors as extremely unlikely, interests on debts and bonds continue to be accrued based on contractual arrangements but the Company is exempted to repay any liabilities until the end of the Sauvegarde.

2.1.1.3 Restructuring plan implemented by the management

The Sauvegarde procedure has provided a legal time frame for the implementation of the restructuring plan of the Group that enables the Company to accelerate its transition to a ‘new Orco’:

- simplified and streamlined in terms of business and geographical presence
- integrated in terms of ownership and control of its subsidiaries
- centered on a cash flow sustainable Orco Property Group S.A.
- adapted and lighter cost-structure
- lowered pressure on the short term liquidity by the restructuring of its bond and bank debts
- preserved potential of the development pipeline.

Faced with liquidity issues that may put at risk the integrity and value of its portfolio, the management team has been implementing the first phase of a restructuring plan focused on cash generation and preservation for its mother company Orco Property Group S.A.. Therefore, the necessary actions aiming at returning to profit are implemented. The actions include: selling non core businesses, renegotiation of existing bank loans, restructuring of the issued bond debts, improving margins through a cost reduction programme (reduction of operating expenses and investments), etc.

Many progresses have been made in the restructuring plan of the Group under the protection of the Safeguard procedure opened on the 25th of March 2009:

- A calendar has been set with the circularization of the Plan de Sauvegarde proposing a term out over ten years of all the Company debt to be submitted for approval before the end of the Procédure de Sauvegarde to the Court.

- In its restructuring plan the Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring can’t be achieved in the short or medium term (see note 14). Some of these assets or activities have already been sold as at June 2009 and particularly the property management activities, the residential Project Fehrbelliner Hofe in Berlin and the residential project City Gate in Bratislava.

- 35% of the Group bank loans have been successfully renegotiated since the beginning of the year by either solving existing and potential covenants’ breaches or extending construction credit lines repayment schedules. Negotiations are still continuing on the remaining debts with existing or potential covenants breaches and for assets and developments where restructuring needs have been identified in the restructuring plan.

- The restructuring of the operations and teams has already led to significant operating expenses decrease compared to 2008. The cost reduction plan already generates improvements with the sum of employee benefits and the other operating expenses decreasing by more than 20%. The decrease would have been sharper without all the legal and consulting costs specific to the Safeguard procedure amounting to EUR 3.7 million. Further decreases are expected in 2010 and 2011 with the restructuring of Orco Germany (fully consolidated subsidiary held at 58% as at December 2009, OG) to be completed by the end of June 2010 and the restructuring of the group management in two business lines (Development and Asset management) also to be completed by the end of June 2010.

- The management is currently discussing with all its joint venture and investment partners in order to restore the liquidity of its loans granted to these joint ventures by having them repaid either in cash or converted in equity. In particular, some achievements with agreements finalized can already be reported :

    - An agreement has been finalized with our Hospitality joint venture partner whereby EUR 20 million out of the Company EUR 46 million shareholder loan will be restructured once all condition precedents are met. Our partner will inject EUR 10 million in cash in Hospitality Invest for partial repayment to the Company, while EUR 10 million of shareholder loan will be converted into equity in the joint venture leaving both partners at a 50% shareholding.

    - An agreement has been reached on the conversion of its EUR 17.6 million shareholder loan in OG into equity. This operation is made possible thanks to an agreement signed by OG, MSREF V Turtle B.V. (an investment vehicle managed by Morgan Stanley currently holding 28.91% of ORCO Germany S.A.) and the Company on August 26, 2009. Once all conditions precedents are met, the loan will be converted into 10,991,750 OG new shares at an issue price of EUR 1.60 per share where December 2009 net asset value stood at EUR 1.73, increasing the Group control from 58.10% to a 65% stake in its subsidiary.

- The cash flow forecast that was established with the support of Grant Thornton (except for Hvar hotels and Russian assets) in order to demonstrate the Group's ability to implement a recovery plan with the objective to finance its cash needs has proven to be conservative compared to the actual cash flows. This was mainly achieved as a result of the lower operating costs and the Group's ability to continue deliver residential projects and respond to the market demand that has not disappeared (the market depth has been notably very different from one city to another over the last months).

Furthermore solutions where the equity of the Group can be increased by injection of fresh cash are also studied.

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

The Group's status as a going concern depends mainly and directly on the approval of the "Plan de Sauvegarde" by the "Tribunal de Commerce de Paris", the successful achievement of an operating and financing restructuring plan and the disposal plan of non strategic assets, the nature and impact of which cannot be measured at this stage.

Some subsidiaries and joint ventures held by the Group require funding to continue as a going concern. The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring. These capital allocations require the approval of the Investment Committee and, depending on the materiality, of the Juge Commissaire.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Central Europe could damage the Group's activity and slow down the asset sales program. It should be noted that this environment has generally been stabilized over the last months of 2009.

2.1.1.5 Conclusion

Upon the information made available, the Directors estimate that a rescheduling of the Group debt is highly probable within the safeguard framework, that residential and selective asset sales will continue. The renegotiation of certain debts and the sale of some assets are essential to the realization of the recovery plan. Should the Company not be able to implement those, the going concern would not be assured. Thus, the consolidated financial statement would have to be amended to an extent which today cannot be estimated in respect of the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non current assets and liabilities into current assets and liabilities.

Considering the situation described above, the Directors have concluded that:

1. the current circumstances present uncertainties that cast some doubt on the Group's ability to continue as a going concern

2. considering the expected outcome of the safeguard period and restructuring program, and after making appropriate enquiries, there is a reasonable expectation that the Group can continue its operations in the foreseeable future and, accordingly, have formed a judgement that it is appropriate to prepare 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 Changes in accounting policies

The accounting policies have been consistently applied by Group's entities and are consistent with those used in the previous year except for the application of the revised and new standards and interpretations applied as from 1 January 2009 described below.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), 'Presentation of financial statements'. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.
- IFRS 8, 'Operating Segments'. The new standard replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This new standard did not have any major impact on the consolidated financial statements.
- IAS 40, ' Investment property', amendment (and consequential amendment to IAS 16, "Property, plant and equipment). The amendments are part of the IASB's annual improvements project published in May 2008 and are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Such property is measured at fair value. The effects of adoption by the Group are disclosed in note 8.
- IAS 23 (amendment), 'Borrowing costs'. This amendment has limited impact for the Group, as the Group already applied a policy of capitalising borrowing costs on qualifying assets.
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.
- Amendment: IFRS 7, 'Improving disclosures about financial instruments'. The IASB published amendment to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a three-level fair value measurement hierarchy. In addition to that, the amendment clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and secondly requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. The entity has to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The adoption of the amendment results in additional disclosures but does not have an impact on profit or earnings per share.

The following amendments have been early adopted by the Group:

- IFRS 3 (revised), 'Business combinations' was early adopted by the Group in 2009 and applied prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payment classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non controlling interest in the acquiree either at fair value or at non controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- IAS 27 (revised), ‘Consolidated and separate financial statements’ – effective for annual reporting periods beginning on or after 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is already the accounting policy elected by the Group. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in the income statement. The Group has applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2009.

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant or have a very limited impact to the Group’s operations:

- IFRS 2 (amendment) ‘Share-based payment’.
- IAS 32 (amendment), ‘Financial instruments: presentation’, and consequential amendments to IAS 1, ‘Presentation of financial statements’.
- IFRIC 13, ‘Customer loyalty programmes’.
- IFRIC 15, ‘Agreements for the construction of real estate’.
- IFRIC 16, ‘Hedges of a net investment in a foreign operation’.
- IAS 39 (amendment), ‘Financial instruments: Recognition and measurement’.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IAS 24 (revised), ’Related party disclosures’ – effective from 1 January 2011; *(1)*
- IFRS 9, ‘Financial instruments’ – effective for annual reporting periods beginning on or after 1 January 2013. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity’s business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value. *(1)*

The following new standards, amendments to standards and interpretations have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2010 or later periods but are expected to have a very limited impact for the Group:

- IAS 1 (amendment), ’Presentation of financial statements’;
- IAS 32 (amendment), ’Classification of right issues’ – effective from 1 February 2010;
- IAS 39 (amendment), ’Financial instruments: Recognition and measurement – Eligible hedged items’ – effective from 1 July 2009;
- IFRS 1 (amendment), ’Additional exemptions for first-time adopters’ – effective from 1 January 2010 *(1)*;
- IFRS 2 (amendment), ’Group cash-settled share-based payment transactions’ – effective from 1 January 2010; *(1)*
- IFRS 5 (amendment), ’Non-current assets held for sale and discontinued operations’ – effective from 1 July 2009;
- IFRIC 9 (amendment), ’Reassessment of embedded derivatives’ and IAS 39 ’Financial instruments: Recognition and measurement’ – effective from 1 July 2009;
- IFRIC 14 (amendment), ’IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions’ – effective from 1 January 2011; *(1)*
- IFRIC 17, ’Distributions of non-cash assets to owners’ – effective from 1 July 2009;
- IFRIC 18, ’Transfers of assets from customers’ – effective from 1 July 2009;

- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’ – effective from 1 July 2010. *(1)*

(1) These standards and interpretations have not been yet endorsed by the European Union

As part of its annual improvements project published in May 2008 and April 2009, the IASB has slightly amended various standards. The improvements focused on areas of inconsistencies in IFRSs or where clarification of wording was required. Most of the amendments (not already effective for annual periods beginning on 1 January 2009) are effective for annual periods beginning on 1 January 2010, with earlier application permitted. The Group does not expect any significant impact of these amendments on its consolidated financial statements. The improvements to IFRSs published in April 2009 have not yet been endorsed by the European Union.

2.1.4 Comparatives

2008 comparatives for Other current liabilities and Minority interests have been reclassified due to the liquidation of Endurance REF CE Hospitality Sub Fund. In 2008, the Group proceeded to the liquidation of the Endurance REF CE Hospitality Sub-fund, (shareholding of the Group of 88%). It resulted in a decrease in the non controlling interests of EUR 5.0 million, whereas this impact was presented on the Equity attributable to owners of the Company on the 2008 consolidated financial statements.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On and acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non controlling interest’s proportionate share of the acquiree’s net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint-ventures

The Group’s interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint-ventures’ individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group’s consolidated financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint-venture that is attributable to the joint-venture partners. The Group does not recognise its share of profits or losses from the joint-venture that result from the Group’s purchase of assets from the joint-venture until it resells the assets to an independent party. A loss on the transaction is recognized immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint-ventures’ accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Executive Committee together with the Investment Committee are the chief operating decision maker of the Company.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all Group's entities is the local currency. The consolidated financial statements are presented in euro (EUR), which is the Company's functional and Group's presentation currency.

Following the adoption of Euro by Slovakia, Euro became the functional currency of the Slovakian entities as at 1^{st} January 2009.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized in the consolidated income statement as part of the fair value gain or loss. Translation differences on investment properties held at fair value through profit or loss are recognized in the consolidated income statement as part of the foreign exchange result.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement presented are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences arising from the translation of the net investment in foreign entities are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint-ventures is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

Negative goodwill arising on an acquisition is recognized in consolidated the income statement.

(b) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortised using the straight-line method over their estimated useful lives (not exceeding three years).

(c) Trademarks

Acquired trademarks are shown at historical cost. When they have indefinite useful life, trademarks are tested annually for impairment or whenever there is an indication of impairment. They are carried at cost less accumulated impairment losses.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, is classified as investment property.

Investment property comprises of freehold land, freehold buildings, extended stay residences, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the consolidated financial statements.

Subsequent expenditure is charged to the asset’s carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value, due to the application since the beginning of the year 2009 of the IAS 40 revised. The properties previously recognized as Properties under development as at 31 December 2008 have been transferred as at 1 January 2009 in Investment Property at their 31 December 2008 fair value.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive, the building permit granted and the start of construction validated. Therefore, the transfer at fair value of the land to Property, plant and equipment or Inventories is recorded only when the building permit is granted and the start of the construction has been validated by the investment committee as it is determined as being the start of the development.

Hotel buildings held by the Group are not classified as Investment property but rather as Property, plant and equipment.

2.7 Property, plant and equipment

Hotels, own-occupied buildings and fixtures and fittings are classified as property, plant and equipment. Properties under development are classified as property, plant and equipment only if their future use is Hotel or own-occupied building.

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, starts off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

- Land Nil
- Buildings 50 to 80 years
- Fixtures and fittings 3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.8 Leases

(a) A Group company is the lessee

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 consolidated 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 capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(b) A Group company is the lessor

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 recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.9 Impairment of non-financial assets

Intangible assets including goodwill and trademark that have an indefinite useful life are not subject to systematic amortization and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.10 Financial assets

The Group classifies its financial assets other than derivatives in the following categories: non-current loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (note 2.12) and other current assets in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method. Financial assets recognized in the consolidated balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortised cost less provision for impairment.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in note 2.12.

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

The Group subscriptions in investment property closed end funds managed by the Group are categorized as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. Financial assets at fair value through profit or loss (including derivatives) are initially recognized at fair value, and transaction costs are expensed in the income statement, and subsequently carried at fair value.

Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

2.11 Inventories

Properties that are being developed for future sale are classified as inventories at their cost or deemed cost, which is the carrying amount at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

If a commercial and office development classified in Inventories becomes partially or totally rented, as a result of tenants moving in before the contemplated sale, it is not automatically reclassified as Investment Property. The finished good will be reclassified in investment property if it is held mainly for capital appreciation. This will be appreciated on the basis of the Investment Committee decision to hold the asset and the absence of an active search for a buyer.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options classified in equity are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

The shares of the Company (Orco Property Group, société anonyme) held by the Group -Treasury shares - are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

2.15 Borrowings

The term Borrowings covers the elements recorded under the captions Bonds and Financial debts within the non-current liabilities and the caption Bonds and Financial debts within current liabilities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion at maturity of the bonds. If applicable, the remainder of the proceeds is allocated to the conversion option is recognized in equity, net of income tax effect.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax on investment property

Deferred income tax is provided on all temporary differences arising on fair value of buildings and lands held by the Group as investment properties even when they are located in special purpose entities, which are themselves, in most cases, held by a Luxembourg-based company. Generally, each special purpose entity is meant to hold one specific project. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal will be exempted from any tax (in accordance with the Grand-ducal regulation of 21 December 2001), if the Luxembourg-based company holds or commits itself to hold this stake for a minimum of a continuous 12-month period and, if, during this same period, the stake amounts to at least 10% of the affiliate's capital or the acquisition price amounts to at least EUR 6 million.

2.18 Provisions and post-employment obligations

Provisions for environmental restoration, site restoration and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

The Group has entered into defined benefit plans define as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.19 Derivative financial instruments

Derivatives are initially recognized in the consolidated balance sheet at their fair value on a date a derivative contract is entered into and are subsequently remeasured at their fair value which is generally the market value. Derivatives are presented at the balance sheet date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the consolidated income statement under other net financial results.

Embedded derivatives that are not equity instruments, such as issued call options embedded in exchangeable bonds, are recognized separately in the consolidated balance sheet and changes in fair value are accounted for through the consolidated income statement.

2.20 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognized in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The amount of inventories recognized as an expense during the period, referred to as cost of goods sold, consists of those costs previously included in the measurement of inventory that has been sold during the year.

The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Share option plans

Share options are granted to certain directors and senior employees. The options are granted at the market price on the date of the grant and are exercisable at that price.

The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

2.23 Subscription rights and PACEO ("Programme d'Augmentation de Capital par Exercice d'Options")

The Group grants subscription rights to third parties as part of its financing program. Any consideration received is added directly to equity as a capital increase recorded in share capital and share premium. Changes in the fair value of those equity instruments are not recognized in the consolidated financial statements.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Group's Chief Financial Officer (CFO) and his team. As a result of the current restructuring, the policies are under review for approval by the Board of Directors. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board of Directors will provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), the Croatian Kuna (HRK) and secondarily to the US Dollar (USD) and the Russian Ruble (RUB). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Loans, operating income and - except in the development activities - sales of buildings are mainly denominated in Euro (EUR). The Group does not use significant foreign currency derivatives contracts, as salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are mainly denominated in local currencies. The main circumstance for the Group to put in place a currency derivatives is for the financing of a construction contract when the local currency operations do not generate sufficient cash and as a result that construction contract must be financed with another currency.

The exchange rates to euro (EUR) used to establish these consolidated financial statements are as follows:

Currency Code	Currency	31 December 2008		31 December 2009	
		Average	Closing	Average	Closing
CZK	Czech Koruna	25.045	26.93	26.4992	26.465
HUF	Hungarian Forint	250.8625	264.78	280.5533	270.84
HRK	Croatian Kuna	7.2228	7.3244	7.3339	7.28428
PLN	Polish Zloty	3.5321	4.1724	4.3407	4.1082
RUB	Russian Ruble	36.7961	41.4411	44.3172	43.3883
SKK	Slovak Koruna	31.143	30.126	N/A	N/A
USD	US Dollar	1.4726	1.3917	1.3962	1.4406

The following table gives the impact on the total balance sheet in absolute terms in EUR million of the variation (increase/decrease) by 5 % against the Euro for each currency in which the Group has a significant exposure.

December 2009	Change of 5% against EUR
CZK/EUR	1.5
PLN/EUR	1.7
HUF/EUR	3.1
HRK/EUR	2.0

December 2008	Change of 5% against EUR
CZK/EUR	1.3
PLN/EUR	1.4
HUF/EUR	3.9
HRK/EUR	2.2

Positions in foreign currencies have slightly decreased since December 2008. Except in Hungary where all the bank financing are denominated in Euro, bank financing of residential developments are generally denominated in local currency as opposed to bank financing of investment properties that can be either expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euro in companies having another currency as functional currency.

(ii) Price risk

The Group is exposed to equity securities and embedded derivatives on instruments issued by the Group because of investments held by the Group and classified in the consolidated balance sheet at fair value through profit or loss or as trading financial instruments. To manage its price risk arising from investments in equity securities and such embedded derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed.

(iii) Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area – Central and Eastern Europe and Russia - such activities are spread over several business lines (residences, offices, hotels) and different countries.

(b) Credit risk

The Group has no significant concentrations of credit risk. Rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution. Credit risk is managed by local management and by Group management.

At 31 December 2009	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade receivables gross	26,575	3,627	1,177		14,408	45,787
Impairments at 31 December 2008					-9,761	-9,761
Impairments - Scope Exit					372	372
Impairments - allowance					-4,237	-4,237
Impairments - write-back					430	430
Impairments - transfers					-1,135	-1,135
Foreign exchange Impairments					-77	-77
Total trade receivables	26,575	3,627	1,177	-	-	31,379
Other current assets gross	49,201	525	21	186	7,319	57,252
Impairments at 31 December 2008					-1,566	-1,566
Impairments - allowance					-6,888	-6,888
Impairments - write-back						0
Impairments - transfers					1,135	1,135
Total other current assets (i)	49,201	525	21	186	-	49,933
Cash and cash equivalents gross	57,040	-	-	-	-	57,040
Impairments at 31 December 2008					-	-
Impairments - allowance					-	-
Total cash and cash equivalents	57,040	-	-	-	-	57,040
Derivatives gross	2,695	-	-	-	-	2,695
Impairments at 31 December 2008					-	-
Impairments - allowance					-	-
Total Derivatives	2,695	-	-	-	-	2,695

(i)The other current assets excluded in this table represent mainly tax receivables amounting to EUR 6.4 million.

At 31 December 2008	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade receivables gross	28,076	8,424	382	80	9,761	46,723
Impairments at 31 December 2007					-9,183	-9,183
Impairments - allowance					-7,083	-7,083
Impairments - write-back					1,496	1,496
Impairments - transfers					5,009	5,009
Total	28,076	8,424	382	80	-	36,962
Other financial receivables gross	51,512	1,373	64	85	1,567	54,601
Impairments at 31 December 2007					-97	-97
Impairments - allowance					-334	-334
Impairments - write-back					1,191	1,191
Impairments - transfers					-2,327	-2,327
Total	51,512	1,373	64	85	-	53,034
Cash and cash equivalents gross	83,799	-	-	-	-	83,799
Impairments at 31 December 2007					-	-
Impairments - allowance					-	-
Total	83,799	-	-	-	-	83,799
Derivatives gross	5,098	-	-	-	-	5,098
Impairments at 31 December 2007					-	-
Impairments - allowance					-	-
Total cash and cash equivalents	5,098	-	-	-	-	5,098

- **In 2009**

  In 2009, the Group has recorded impairments on trade receivables amounting to EUR 4.2 million (mainly EUR 3.8 million in Germany and EUR 0.2 million in Czech Republic) and a reversal of impairment of EUR 0.4 million (mainly EUR 0.2 million in Czech Republic), in application of the Group management review of the overdue receivables.

- **In 2008**

  In 2008, the Group has recorded impairments on trade receivables amounting to EUR 7.1 million (mainly EUR 5.8 million in Germany and EUR 0.8 million in Slovakia) and a reversal of impairment of EUR 1.5 million (mainly EUR 1.3 million in Germany), in application of the Group management review of the overdue receivables.

The table below shows the rating and the balance for some of the major bank counterparties at the balance sheet date.

Counterparty	Ratings Agency Moody's Rating	S&P's rating	Fitch's Rating	December 2009	December 2008
CSOB	A1	-	A-	11.9	10.6
EuroHypo	A1	A-	A	1.7	
Deutsche Bank	Aa1	A+	AA-	8.9	15.1
Pekao	A2	A-	A-	6.4	
Berliner Volksbank	-	A+	-	6.1	4.9
KBC Bank	Aa3	A	A	2.8	8.3
Calyon	Aa3	AA-	AA-	1.4	1.7
DnB NOR	Aa3	A+	-	1.7	
Raiffeisen	Aa1	-	-	1.2	
St Petersburg Bank	Ba3	-	-	0.3	7.8
BGL BNP Paribas	A1	AA	AA-	0.3	0.1
in Euro million				**42.7**	**48.5**

The Group does not hold any collateral.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets, the Group is subject to a liquidity risk (see note 2.1 on going concern and note 3.3 for covenant breaches).

The liquidity risk is the risk that Orco Property Group might encounter difficulties raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close at market positions. The Orco management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties (see note 2.1.1).

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2009 to the contractual maturity date.

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

The specific time buckets presented are not mandated by the standard but are based on a choice made by management.

At 31 December 2009	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-101,812	-24,682	-56,812	-509,696	-13,828	**-706,830**
Floating rate loans and bonds	-283,044	-60,308	-193,247	-454,252	-66,971	**-1,057,822**
Interest rate derivatives	-3,089	-6,536	-9,266	-17,774	1,153	**-35,513**
Forex derivatives	-1,635	-5,720	-6,285	-	-	**-13,640**
Embedded derivatives on bonds	-	-	-10,055	-25,025	-	**-35,080**
Liabilities held for sale	-43,536	-8,610	-	-	-	**-52,146**
Total	-433,116	-105,856	-275,665	-1,006,747	-79,647	**-1,901,031**

At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-146	-24,590	-5,332	-445,157	-220,104	**-695,329**
Floating rate loans and bonds	-69,688	-111,987	-132,214	-652,972	-229,111	**-1,195,972**
Interest rate derivatives	898	-4,442	-8,111	-22,630	-4,337	**-38,622**
Forex derivatives	-	-1,220	-55,747	-11,133	-	**-68,100**
Embedded derivatives on bonds	-	-	-	-35,080	-	**-35,080**
Total	**-68,936**	**-142,239**	**-201,404**	**-1,166,972**	**-453,552**	**-2,033,103**

(d) Cash flow interest rate risk

The Group's income and operating cash in flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from floating rate financial debts. Financial debts issued at variable rates expose the Group to cash flow interest rate risk. The Group mitigates some of its variable interest rates by entering into swap transactions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

The floating rate loans and bonds line presents the projected cash flows, including interests and the reimbursements of the principal and of the non conversion premium (when applicable), on Group's floating rate loans and bonds. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2009. Held for sale assets represent the loans in respect of Helberger, Meder, Stein, Budapest Bank, and Wasserstrasse which are classified as held for sale.

Interest rate swaps, collars and forex derivatives used by the Group are detailed in the note 19.11 Derivatives.

As at 31 December 2009, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2009 of EUR 4.9 million. Before the positive impact of derivatives, the increase of interest expenses in 2009 would amount to EUR 9.9 million.

As at 31 December 2008, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2008 of EUR 2.2 million. Before the positive impact of derivatives, the increase of interest expenses in 2008 would amount to EUR 7.5 million.

		Repricing month	Amounts
Euribor	Euribor + margin (from +1 to +4)	January 2010	238,371
		February 2010	25,022
		March 2010	498,674
Pribor	Pribor + margin (from +1.15 to 2.5)	January 2010	67,044
		February 2010	7,529
		March 2010	26,450
Libor	Libor + margin (from +0.8 to +1.2)	January 2010	18,800
		November 2010	37,100
Bubor	Bubor + margin (+ 2)	March 2010	271
Wibor	Wibor + margin (+0.8 to +4.5)	January 2010	64,631

3.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss	-	-	-	-
- Investment in Endurance Fund	-	-	10,500	10,500
- loans granted to Joint ventures and other investments	-	-	21,853	21,853
- Trading derivatives	-	2,695	-	2,695
- Trading securities	151	337	-	488
Total assets	**151**	**3,032**	**32,353**	**35,536**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives on bonds	-	702	15,404	16,106
- Trading derivatives	-	37,563	-	37,563
Total liabilities	**-**	**38,265**	**15,404**	**53,669**

	Embedded derivatives on Bonds - non current part	Embedded derivatives on Bonds - current part
At 31 December 2008	-8,034	-5,456
Increase	-	-
Losses recognised in profit or loss	-553	-1,361
At 31 December 2009	-8,587	-6,817

	Investment in Endurance Fund	Loan granted to joint ventures and other investments
At 31 December 2008	30,268	38,240
Increase	-	6,545
Losses recognised in profit or loss	-19,768	-22,932
At 31 December 2009	10,500	21,853

3.3 Capital risk management

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

As at 31 December, 2009, the loan to value ratio has reached the level of 84.3% compared to 67.5% in 2008. The strong increase is mainly due to the decrease in value of the investment properties and the increase of impairments on buildings under construction and inventories.

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

	December 2009	December 2008
Non current liabilities		
Financial debts	484,634	826,483
Current liabilities		
Financial debts	595,776	298,761
Current assets		
Current financial assets	-488	-2,190
Liabilities held for sale	51,451	
Cash and cash equivalents	-57,040	-83,799
Net debt	**1,074,333**	**1,039,256**
Investment property	1,072,304	1,211,718
Hotels and own-occupied buildings	215,393	245,273
Properties under development	-	99,673
Financial assets	32,353	70,681
Inventories	482,605	529,827
Assets held for sale	48,930	
Revaluation gains on projects and properties	-3,095	44,010
Fair value of portfolio	**1,848,490**	**2,201,182**
Loan to value before bonds	**58.1%**	**47.2%**
Bonds	468,616	440,512
Accrued interests on bonds	16,860	7,757
Loan to value	**84.4%**	**67.6%**

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

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

The non respect of the Loan to Value (LTV) covenants may have as consequence that the lending bank requires partial repayment of the loan in order to solve the LTV covenant breach. In 2009, the Group negotiated interests margin increase instead of partial repayment of the loan.

3.4 Financial instruments by category

	Loans and Receivables	Asset at fair value through profit and loss	Total
31 December 2009			
Assets per balance sheet			
Financial assets at fair value through profit and loss	-	32,353	32,353
Derivative financial instruments and trading securities	-	3,183	3,183
Trade and other receivables	31,379	-	31,379
Cash and cash equivalent	57,040	-	57,040
Total	**88,419**	**35,536**	**123,955**

31 December 2009	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
Liabilities per balance sheet			
Borrowings	-	1,600,477	1,600,477
Trading derivative	53,669	-	53,669
Trade and other payables	33,480	-	33,480
Total	**87,149**	**1,600,477**	**1,687,626**

31 December 2008	Loans and Receivables	Asset at fair value through profit and loss	Total
Assets per balance sheet			
Financial assets at fair value through profit and loss	-	70,681	70,681
Derivative financial instruments and trading securities	-	7,288	7,288
Trade and other receivables	36,962	-	36,962
Cash and cash equivalent	83,799	-	83,799
Total	**120,761**	**77,969**	**198,730**

31 December 2008	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost	Total
Liabilities per balance sheet			
Borrowings	-	1,565,756	1,565,756
Trading derivative	53,299	-	53,299
Trade and other payables	59,577	-	59,577
Total	**112,876**	**1,565,756**	**1,678,632**

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) Assessment of the going concern (see note 2.1.1)

(b) 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.

The main assumptions for discounted cash flow projections are the following:

	2009	2008
Discount rate range	7 - 11 %	6 - 10 %
Yield range	6.75 - 12 %	6.25 - 11 %
Exit cap rate	6 - 9.5 %	5 - 8.5 %

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

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

(c) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.17, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

(d) Determination of remaining construction costs and impairment on developments

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realizable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

For the purpose of the impairment test on developments under construction whether classified as buildings under development in property, plant and equipment or as inventories, the Group does not use the fair value but the present development value that is defined as the expected selling price (as determined by the investment properties' independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, the sales and marketing costs and all direct or indirect costs that can be associated to the specific development.

(e) Estimate of fair value of financial instruments

Some financial instruments are recorded at fair value.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data:

1) for derivative instruments linked to bonds issued by the Group using a discount rate of 55.34% (37% in 2008),
2) by the Group's banks for the other derivatives (IRS, options and forwards).
3) for loans granted to Hospitality Invest joint venture, the valuations are performed internally leading to discount rates dependant on the ranking of the loan and current market or operating environment leading to discount rates of 11.3 % for the loan financing the hotel in Moscow and 22.0% for the Profit Participating Loan granted to the joint venture holding company.

The fair value of financial instruments reflects, among other things, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the income statement.

The Group investments in the Endurance sub-funds are fair valued on the basis of the net asset value as provided by the fund Manager with a liquidity discount of 20% (nil in 2008).

(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 discounted cash flow valuation technique.

(g) Impairment on goodwill

The Group is testing annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5. The recoverable amounts of cash have been determined based on the fair value of the buildings for which acquisitions have generated goodwill.

4.2 Critical judgments in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgment, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgment.

Where applicable, the land on which new properties are under development is recognized separately as an investment property. In such a case the land is fair valued through the income statement on the basis of a percentage of the value determined by the independent valuation expert for the full property under development (land and construction).

Transfer between Inventories and Investment property

If a commercial and office development becomes partially rented, as a result of tenants moving in before the contemplated sale of the asset, the project is not automatically reclassified as Investment Property. A development will be reclassified as investment property only for capital appreciation and if the nature of this building has been changed and formally approved by the Investment Committee. The renting revenue on this development project is specifically disclosed in the consolidated financial statements.

Transfer between Investment property and Inventories

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive, the building permit granted and start of construction validated. Therefore, the transfer at fair value of the Investment property to Inventories is recorded only when the building permit is granted and the start of the construction has been validated by the investment committee as it is determined as being the start of the development.

5. Segment reporting

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

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

Adjusted EBITDA is the recurring operational cash result calculated by deducting from the operating result non-cash and non-recurring elements (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Correction of costs of goods sold being the reversal of previous years valuation adjustments and impairments – Net gain or loss on the sale of abandoned developments included in inventories – Net gain or loss on disposal of assets – Attribution of stock options and warrants to executive management) and the net results on sale of subsidiaries.

Before the restructuring of the Group end of 2009, the Group was organised on a European basis into four main segments determined in accordance with the type of activity:

- Development: development of projects meant to be disposed off unit by unit, the land bank and project management.

- Hotels and Residences: all the MaMaison Hotels and Apartments activities with extended stay hotels and small luxury hotels. This segment also includes the Suncani Hvar activities (i.e. leisure hotels in Croatia).
- Renting: leased out residences, offices or retail buildings, property management and asset management and buildings under construction that are meant to be leased.
- Management services: property management, management services to the Group companies and asset management for the Endurance Real Estate Fund.

As at 31 December 2009	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	129,438	28,428	96,656	9,721	-12,712	**251,531**
Net gain or loss from fair value adjustments	-81,288	-2,614	-93,696	-	-	**-177,598**
Cost of goods sold	-113,538	-2,146	-43	-	-	**-115,726**
Amortisation, impairments and provisions	-40,709	-27,677	-20,924	-44	-	**-89,354**
Other operating results	-36,283	-29,295	-61,319	-8,885	12,711	**-123,071**
Operating result	-142,380	-33,304	-79,325	792	-1	-254,218
Net gain on fair value adjustments	81,288	2,614	93,696	-	-	177,598
Amortisation, impairments and provisions	40,709	27,677	20,924	44	-	89,354
Past valuation on goods sold	1,371	-	-	-	-	1,371
Net gain or loss on disposal of assets	873	80	911	-1,232	-	631
Net gain/(loss) on abandoned developments	11,592	-	-	-	-	11,592
Stock options and warrants	1,701	374	1,325	128	-	3,528
Adjusted EBITDA	-4,847	-2,559	37,530	-269	-1	29,855
Segment assets	812,090	210,560	950,202	-	-18,797	1,954,055
Unallocated assets						118,408
Total assets						**2,072,463**
Segment liabilities	546,374	13,749	858,921	-	-10,992	1,408,052
Unallocated liabilities						664,411
Total liabilities						**2,072,463**
Cash flow elements						
Capital expenditure	9,600	1,727	33,686	55	-	**45,068**

As at 31 December 2008	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	157,073	37,685	111,379	16,234	-22,445	**299,926**
Net gain or loss from fair value adjustments	-123,286	-25,813	-67,852	-	-	**-216,951**
Cost of goods sold	-128,283	-112	593	40	-	**-127,762**
Amortisation, impairments and provisions	-75,494	-12,687	-100,240	-96	-	**-188,517**
Other operating results	-49,809	-41,145	-76,253	-8,644	22,385	**-153,466.50**
Operating result	-219,799	-42,072	-132,373	7,534	-60	-386,770
Net gain on fair value adjustments	123,286	25,813	67,852	-	-	216,951
Amortisation, impairments and provisions	75,494	12,687	100,240	96	-	188,517
Past valuation on goods sold	4,684	0	0	-	-	4,684
Net gain or loss on disposal of assets	-1,727	659	-42	49	-	-1,060
Adjusted EBITDA	-18,061	-2,913	35,677	7,679	-60	22,322
Segment assets	979,853	235,417	1,128,339	60,587	-128,886	2,275,309
Unallocated assets						188,801
Total assets						**2,464,110**
Segment liabilities	481,919	10,553	78,782	13,730	-33,278	220,988
Unallocated liabilities						2,243,122
Total liabilities						**2,464,110**
Cash flow elements						
Capital expenditure	79,314	19,736	183,157	-	-	**282,206**

Development revenues included rent revenues for EUR 6.1 million in 2009 (EUR 8.0 million in 2008) from projects partially rented out and which are still expected to be sold.

The revenues are allocated to geographical areas on the basis of the location on which the sales originated.

End of 2009, the Group structure has been fundamentally changed in order to streamline the management lines and reflect the two main activities to which the Investment Committee is allocating the group investment capacity on the basis of the strategy defined by the Board of Directors. On one hand the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Investment Committee. Once the asset is developped it can be either sold to a third party or kept in the Group own portfolio for value appreciation. On the other hand, the Group is actively managing its own or third parties real estate assets for operational profitability and value appreciation. These two business lines are the segments by which the operations are analysed and this is why the presentation of the segment reporting has been adjusted by grouping the previous renting, hospitality and management services segments under the common denomination of "Commercial Investment Properties".

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

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

This new segmentation is presented below for information purposes for 2009 as the Group is currently implementing this new reporting. For comparison, the previous reporting segmentation is disclosed for the years 2009 and 2008.

As at 31 December 2009	Development	Commercial Investment Properties	Intersegment activities	TOTAL
Revenue	129,438	133,835	-11,742	**251,531**
Net gain or loss from fair value adjustments on investment property	-81,288	-96,310	-	**-177,598**
Cost of goods sold	-113,538	-2,188	-	**-115,726**
Amortisation, impairments and provisions	-40,709	-48,645	-	**-89,354**
Other operating results	-36,283	-98,530	11,742	**-123,071**
Operating result	**-142,380**	**-111,838**	-	**-254,217**
Net gain on fair value adjustments	81,288	96,310	-	**177,598**
Amortisation, impairments and provisions	40,709	48,645	-	**89,354**
Past valuation on goods sold	1,371	-	-	**1,371**
Net gain or loss on disposal of assets	873	-242	-	**631**
Net gain/(loss) on abandoned developments	11,592	-	-	**11,592**
Stock options and warrants	1,734	1,793	-	**3,527**
Adjusted EBITDA	**-4,813**	**32,875**	-	**29,856**
Segment assets	**812,090**	**1,160,762**	**-18,797**	**1,954,055**
Investissement Properties	278,615	793,689	-	1,072,304
Property, plant and equipment	3,495	232,182	-	235,677
Inventories	457,415	25,190	-	482,605
Other segment assets	51,565	81,771	-18,797	114,539
Assets held for sale	21,000	27,930	-	48,930
Unallocated assets				118,408
Total assets				**2,072,463**
Segment liabilities	**546,374**	**872,669**	**-10,992**	**1,408,052**
Liabilities held for sale	22,088	-	-	51,451
Unallocated liabilities				612,960
Total liabilities				**2,072,463**
Cash flow elements				
Capital expenditure	9,600	35,468	-	**45,068**

December 2009	Revenues	Investment Properties	Property, plant and equipment	Inventories
Czech Republic	86,359	282,166	19,777	101,402
Germany	71,950	633,257	5,159	205,941
Russia	21,925	8,000	70,435	11,108
Poland	20,119	37,405	9,343	127,495
Croatia	13,952	500	120,787	2,163
Hungary	5,160	70,525	5,528	3
Slovakia	29,381	15,860	548	24,075
Luxembourg	8,532	24,591	4,100	10,419
Intersegment activities	(5,847)			
Revenue	**251,531**	**1,072,304**	**235,676**	**482,605**

December 2008	Revenues	Investment Properties	Properties and Equipment	Inventories
Czech Republic	91,624	299,783	66,623	141,518
Germany	77,864	741,050	14,500	168,241
Russia	27,553	9,608	72,262	12,451
Poland	45,212	46,560	10,237	125,802
Croatia	18,272	3,246	144,874	2,385
Hungary	30,796	51,240	49,118	21,829
Slovakia	5,669	33,480	1,826	53,930
Luxembourg	15,450	26,750	4,533	3,670
Intersegment activities	(12,512)			
Revenue	**299,926**	**1,211,717**	**363,973**	**529,826**

6. Business combinations

No material business combination occurred in 2008 and none in 2009.

7. Intangible assets

The intangible assets of EUR 48.9 million (EUR 57.1 million in 2008) include mainly the GSG trademark recognized as part of the business combination accounting (EUR 7.2 million in 2008 and in 2009) and the goodwill on acquisitions (EUR 39.3 million goodwill in 2009 compared to EUR 46.7 million in 2008).

The impairment tests carried out on the goodwill led to the recognition of EUR 2.3 million of impairment in 2009 (nil in 2008). The only goodwill recognized as at 31 December 2009 is the GSG goodwill.

Finally, the goodwill recognized previously on the acquisition of 3 assets has been derecognized for EUR 4.7 million.

8. Investment property

Investment property	Freehold buildings	Extended stay hotels	Land bank	Land	Buildings under finance lease	Buildings under construction	TOTAL
Balance at 31 December 2007	**1,060,436**	**59,567**	**388,892**	**54,462**	**1,590**	**-**	**1,564,947**
Investments / acquisitions	37,041	1,210	73,675	-	1,972	-	113,898
Partial sales	-	-7,377	-	-	-	-	-7,377
Asset sales	-113,412	-	-39,233	-	-8	-	-152,653
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**
Investments / acquisitions	3,502	67	7,535	-	-	9,023	20,127
Asset sales	-60,149	-	-7,279	-	-	-	-67,428
Revaluation through income statement	-102,698	-917	-65,723	-	-1,020	-7,240	-177,598
Transfers from properties under development	50,170	-	-	-	-	41,682	91,852
Other Transfers	3,107	-5	-7,033	-	-1,500	-4,744	-10,175
Translation differences	2,263	-	156	-	-	1,389	3,808
Balance at 31 December 2009	**795,704**	**21,430**	**214,780**	**-**	**280**	**40,110**	**1,072,304**

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

- **In 2009**

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

A) Investments / Acquisitions

During the year, the Group has invested EUR 20.1 million in investment property representing mainly capitalization on buildings under construction and investments for zoning and building permits.

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

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

B) Asset sales

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

Freehold buildings:

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

Land bank:

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

C) Revaluation through the income statement (see note 4.1):

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

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

D) Transfers

The transfers are mainly made of the following movements:

1/ Freehold buildings

Main Incoming Assets

- Na Porici (EUR 45.4 million) and Budapest Stock Exchange (EUR 41.7 million) have been transferred from Properties under development to Investment Property as at 1st January 2009, due to the application of IAS40 Revised (see note 12).

- Hradcanska (EUR 14.8 million), Logistic Park Hlubocky (EUR 5.0 million) and Paris Department Store (EUR 21.5 million) are projects previously recognized as Inventories, which are now transferred to Investment Property (see note 14).

- Ku-Damm 103 (EUR 8.7 million) is transferred from Own Occupied Buildings to Investment Property. This asset will be rented to third parties as Orco Germany's headquarters have moved to another office in Berlin (see note 9).

Main Outgoing Assets

- Mostecka (EUR 10.8 million) and Americka 11 (EUR 2.6 million) are transferred from Investment Property to Inventories as the development of these projects has been approved by the Investment Committee.

- Main Budapest Bank (EUR 12.8 million), Stein in Bratislava (EUR 10.0 million), Wasserstrasse in Düsseldorf (EUR 8.4 million), Small Budapest Bank (EUR 0.6 million) are transferred to Assets held for sale (see note 10).

Other movement

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

2/ Land bank

Helbeger (EUR 11 million) is transferred to Assets held for sale (see note 10).

In 2008

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 appartments from the Americka residential buildings for a NBV of EUR 2.4 million at the sale price of 3.9 million;
- Sales of a part of the project Gethsemannstrasse (NBV of EUR 3.0 million) at the sale price of EUR 3.1 million;
- The project in Slovakia Kohal Kosice (NBV of EUR 5.8 million) has been sold at the sale price of EUR 3.9 million;
- The Revay Utca 10 project (NBV of EUR 4.2 million) in Budapest has been sold for at the sale price of EUR 3.4 million;
- The CIB Bank in Budapest (NBV of EUR 7.6 million) has been sold at the sale price of EUR 7.1 million;
- The Otrada project in Russia (NBV of EUR 35.8 million) has been sold at the sale price of EUR 35.8 million.

D) Revaluation through income statement (see details below) (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 recognized as investment properties, and have been transferred as inventories in order to be sold, with or without the building permit (EUR -115.4 million).
    - From the land category, the main project transferred is the Paris Department store (EUR 7.3 million) in Budapest, which is planned to be sold;
    - In the buildings category, Pivovar Vrchlabi (former brewery with 20 000 sqm of residential and commercial units), the Hradcanska project (retail and office), the Danziger Strasse project (commercial and office), the H2 Office project (office) and the City Gate project have been transferred to inventories for development after obtaining the building construction permit for a total amount of EUR 62.4 million;
    - Some projects have also been transferred from the land bank category to inventories after obtaining the building permit: Benice (EUR 30.8 million), Slunecny Vrsek (EUR 4.1 million), Vavrenova (EUR 3.6 million), Nové Dvory (EUR 2.9 million), Rudna (EUR 2.7 million) and the Drawska project in Warsaw (EUR 1.6 million).
- The second category of reclassification relates to the projects, which are transferred from investment properties to construction in progress, after obtaining the building permit (EUR -37.9 million).
    - Na Porici (EUR 17.5 million) in the Czech Republic, and the Budapest Stock Exchange (EUR 18.1 million) in Hungary, have been transferred to properties under development;
    - the Molcolm free plot of land (EUR 2.3 million) has been transferred to properties under development for the construction of a new class A warehouse.
- The third category of transfer relates to the projects previously recognized as construction in progress, which have been completed during the period and transferred into investment properties. It concerned mainly the Radio Free Europe Building transferred in Building (EUR 65.3 million).

All investment properties financed by banks are pledged.

List of major investment properties:

Freehold Buildings	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 31.12.09
Germany				
GSG	27,895	468,090	-26,658	441,832
Franklinstrstraße 15	-7,370	40,350	-3,128	37,250
Cumberland Haus	-37,028	30,280	-2,959	28,000
Brunnenstraße 156 & Invalidenstraße 112	-2,035	7,070	1,210	8,280
Ku damm 103			-518	8,170
Kurfüstendamm 102	-2,067	7,770	-1,580	6,190
Max Planck Strasse	-5,350	6,620	-790	5,830
Hüttendorf	-546	7,347	-2,259	5,100
Hakeburg	-1,275	2,436	159	2,375
Brunnenstr. 27 - OG	-450	1,370	70	1,440
Lutticher Str. 49	-567	1,210	-240	970
Hochwald	-469	927	-52	910
Wasserstrasse	-1,061	9,520	-1,160	-
Wilhelm - Kuhr - Str. 86	-644	1,110	-	-
Immanuelkirchstrasse 3-4	-1,775	10,720	-730	-
Reinhardtstrasse 18	-643	8,570	-	-
Pappelallee 3-4	-456	5,290	-	-
Kollwitzstrasse 71	386	3,060	-	-
Zionkirchstrasse 7	48	2,360	-	-
Boxhagener Str 106	-280	2,130	-	-
Breite Str 15	-432	2,080	-	-
John Schehr Str 64	-332	1,980	-	-
Orco Elb Loft	-538	1,770	-	-
Prenzlauer Allee 195	-463	1,680	-180	-
Brunnenstrasse 25	-571	1,600	-	-
Berlin Gorschtr. 18	-230	1,480	-280	-
Hosemannstrasse 6-7, Berlin	-430	1,350	-50	-
Total Freehold Buildings Germany :	**-36,683**	**628,170**	**-39,145**	**546,347**

Freehold Buildings	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 31.12.09
Czech Republic	**-38,510**	**151,870**	**-27,325**	**166,880**
Radio Free Europe	-18,832	55,700	-6,831	50,000
Na Porici	-	-	-2,632	47,600
Vlatvska	-819	34,250	-7,457	26,800
Hlubocky	-985	15,150	-2,048	18,500
Hradcanska	-	-	-2,380	12,450
Stribro	-1,310	7,890	-3,582	4,410
Jeremiasova	-	3,050	-460	2,590
Amerika Park Residential	-2,414	9,890	-3,336	2,380
Belgicka 36 - Na Kozacce	49	5,010	-118	950
Americka 3	463	-	1,679	760
Nad Petruskou 8	-536	2,650	-160	440
Amerika 11	244	2,600	-	-
Mostecka	-12,541	10,580	-	-
Brno Shopping Centre	-1,831	5,100	-	-
Slovakia	**-12,754**	**33,480**	**-8,082**	**15,860**
Dunaj	-3,286	18,480	-2,805	15,860
Pivovar Stein	-9,468	15,000	-5,277	-
Hungary	**-25,259**	**43,715**	**-24,511**	**28,395**
Szervita Square	-6,148	13,700	-4,248	10,060
Paris Department Store			-6,972	15,000
Starlight Suite Hotel	-288	4,365	-1,030	3,335
Small Budapest Bank	-4,100	2,320	-1,693	-
Headquarters of Budapest Bank	-14,723	23,330	-10,568	-
Poland	**-3,989**	**12,950**	**-1,618**	**12,170**
Marki	-2,689	7,360	-951	6,670
Diana Office	-1,300	5,590	-667	5,500
Luxembourg	**460**	**26,750**	**-2,122**	**24,591**
Orco House	460	26,750	-2,122	24,591
Other	-866	2,574	105	1,461
Total Freehold Buildings :	**-117,603**	**899,509**	**-102,698**	**795,704**

Land bank	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 31.12.09
Czech Republic	**-39,599**	**128,260**	**-38,273**	**97,080**
Bubny	-25,706	88,000	-14,871	75,000
Praga	-1,289	15,730	-12,483	3,640
Nupaky 1	-1,003	5,000	-497	4,590
Doupovska	-702	4,000	-3,854	3,340
Mezihori	-1,423	3,010	-751	2,550
Bellvue Grand	-1,519	2,650	-816	2,200
U Hranic Prague 10, CZ	-560	2,550	-1,627	1,460
Hradec Kralové Plachta Jih	-3,282	1,870	-1,529	820
OBI Decin	-474	1,700	-372	1,450
Rubeska	18	1,470	-1,188	360
Ostrava - Na Frantisku	-1,399	1,350	-224	1,460
Bezecka	-1,447	670	-	-
Kolin, CZ	-813	260	-61	210
Germany	**-14,009**	**110,970**	**-15,762**	**86,910**
Leipziger Platz	-5,950	95,320	-12,833	84,300
Orco Elb Loft	-	-	-542	1,750
GSG	-	910	-50	860
Helberger	-7,841	12,300	-1,362	-
Essen Gruga Carree	-218	2,440	-975	-
Russia	**-6,192**	**9,600**	**-1,145**	**8,000**
Kaluga 145 Ha	-6,192	9,600	-1,145	8,000
Poland	**-6,293**	**29,790**	**-7,929**	**22,290**
Jozefoslaw	-4,701	8,450	-1,913	6,660
Szosa Polska	120	8,000	-2,059	5,950
Kraków Ruczaj	-1,241	6,000	-2,067	4,220
Przy Parku	-1,272	4,550	-1,111	3,450
Bialystok	801	2,790	-779	2,010
Hungary	**-8,335**	**5,250**	-	-
Origo Film Studios	-8,335	5,250	-	-
Croatia	**98**	**3,246**	**-2,745**	**500**
Obonjan Rivijera	69	2,286	-2,283	-
Istria plot (595 k.o. Pican)	29	960	-462	500
Other	-39	8	131	-
Total Land and Land bank:	**-74,369**	**287,124**	**-65,723**	**214,780**
Buildings under finance lease	**-754**	**2,800**	**-1,020**	**280**
Extended stay hotels	**-24,225**	**22,285**	**-917**	**21,430**
Budapest Stock Exchange			-7,240	40,110
Building under construction			**-7,240**	**40,110**
TOTAL :	**-216,951**	**1,211,718**	**-177,598**	**1,072,304**

9. Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance as at 31 December 2007	**112,430**	**1,955**	**185,226**	**299,611**
Investments / acquisitions	2,174	-	6,194	8,368
Disposal	-5,897	-	-	-5,897
Transfer and other movements	1,956	-	3,687	5,643
Translation differences	-8,004	209	-3,237	-11,032
Balance as at 31 December 2008	**102,659**	**2,164**	**191,870**	**296,693**
Investments / acquisitions	1,571	-	80	1,651
Disposal	-227	-	-	-227
Transfer	10,510	-	-11,335	-825
Translation differences	-1,314	-	525	-789
Balance as at 31 December 2009	**113,199**	**2,164**	**181,140**	**296,503**
AMORTISATION AND IMPAIRMENT				
Balance as at 31 December 2007	**951**	**107**	**4,383**	**5,441**
Allowance	1,090	17	947	2,054
Disposal	-582	-	-	-582
Impairments	37,873	-	6,877	44,750
Transfer and other movements	65	-	-88	-23
Translation differences	-121	13	-112	-220
Balance as at 31 December 2008	**39,276**	**137**	**12,007**	**51,420**
Allowance	146	-	938	1,084
Impairments	10,727	1,030	19,013	30,770
Transfer	-119	-	-2,546	-2,665
Translation differences	795	-	-294	501
Balance as at 31 December 2009	**50,825**	**1,167**	**29,118**	**81,110**
NET AMOUNT as at 31 December 2009	**62,374**	**997**	**152,022**	**215,393**
Net amount as at 31 December 2008	**63,383**	**2,027**	**179,863**	**245,273**

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

- **In 2009**

23 projects (EUR 195.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 99.3 million.

A new warehouse completed in Russia at the end of 2009 has been transferred from Properties under development to Own-occupied buildings (EUR 19.3 million) (see note 12).

The building located in Ku-Damm 103 has been transferred from own-occupied buildings to Investment Property (EUR 8.7 million) as the Orco Germany headquarters moved to an other building in Berlin (see note 8).

The Sirena Hotel (EUR 5.7 million) has been transferred to Assets held for sale (see note 10).

The impairment tests based on the DTZ valuation at end of 2009 led to the recognition of the following impairments:

- Own-occupied: Molcom Logistics (EUR 10.5 million) and Orco Luxembourg in Capellen (EUR 0.2 million).

- Hotels: Andrassy Hotel in Budapest (EUR 1.3 million), and on the Hvar Island: Amfora (EUR 6.8 million), Pharos Hotel (EUR 4 million), Sirena Hotel (EUR 1.9 million), Bodul Hotel (EUR 1.8 million), Adriana (EUR 1.6 million), Camping Vira (EUR 0.7 million) and Riva Hotel (EUR 0.4 million).

- Prepaid operating leases: Sulekova Hotel in Slovakia (EUR 1.0 million).

- **In 2008**

The investment movement refers to the improvement works in the Pokrovka Hotel in Moscow (EUR 0.5 million) and in various hotels located on Hvar island in Croatia (EUR 5.9 million).

The Group sold the Lux Plaza office building to Endurance Fund where 20% of the net rentable area are dedicated to Orco's headquarters in Prague and were as a result classified under the IAS16 own-occupied caption (EUR -5.8 million).

After the last phase of refurbishment works of the Riverside II in Prague (EUR 5.1 million), the buildings have been transferred from construction in progress to hotels caption.

Since the NBV of some buildings exceeds the DTZ valuation, impairments have been recognized for the amount exceeding the DTZ value, as follows (see note 4.1):

- Own-occupied : Molcom Logistics (EUR 34.0 million), Orco Germany's headquarters (EUR 1.7 million) in Berlin and Suncani Hvar headquarters (EUR 2.1 million).
- Hotels : Riverside I & II in Prague (EUR 5.7 million), Andrassy Hotel in Budapest (EUR 0.7 million) and Camping Vira (EUR 0.4 million) on Hvar island.

25 projects (EUR 211.1 million) financed by bank loans in local special purpose entities are fully pledged for EUR 104.9 million.

10. Assets and liabilities held for sale

As at December 31, 2009, the Group decided to sell 5 assets from its investment property portfolio (nil in 2008), as the due date of the financing of these non strategic assets is in short term.

These assets have been transferred in assets held for sale.

Two of them are in Germany: Helberger in Frankfurt (EUR 11.0 million, Development segment) and Wasserstr. in Duesseldorf (EUR 8.4 million, Renting segment).

Two projects are located in Hungary, Small Budapest Bank (EUR 0.7 million, Renting Segment) and Main Budapest Bank (EUR 13.2 million, Renting segment).

The last project is located in Slovakia: Stein (EUR 10.0 million, Development segment). The bank debt on these assets amounts to EUR 51.5 million.

Finally, the hotel Sirena on the Hvar Island, previously classified as hotel is planned to be sold and has been recognizedas asset held for sale (EUR 5.7 million, Hospitality segment).

11. Fixtures and fittings

	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2007	**30,680**	**-9,644**	**21,036**
Increase	4,987	-4,515	472
Assets sales	-4,235	1,825	-2,410
Change to proportional consolidation	-766	642	-124
Transfer	342	568	910
Translation difference	-1,628	771	-857
Balance at 31 December 2008	**29,380**	**-10,353**	**19,027**
Increase	2,165	-4,583	-2,418
Assets sales	-1,019	662	-357
Transfer	9,445	-5,466	3,979
Translation difference	-91	144	53
Balance at 31 December 2009	**39,880**	**-19,596**	**20,284**

- **In 2009**

Main increases are due to the development of the project Vysocany Gate in Czech Republic (EUR 1.4 million) and to the new Warehouse of Molcom in Russia (EUR 0.5 million).

The main transfer relates to the reallocation of the fixtures and fittings previously recognized in properties under development on project Paris Department Store in Budapest (EUR 2.2 million) and on projects located on Hvar island (EUR 1.7 million).

Impairments have been recognized during the year amounting to EUR 0.3 million.

- **In 2008**

Main increases are due to the acquisition of Blue Yachts, d.o.o. in Croatia (EUR 1.6 million) and investments done by Suncani Hvar in Croatia (EUR 0.8 million), the Riverside Hotel in the Czech Republic (EUR 0.4 million), the Pokrovka Hotel and Molcom in Russia (respectively EUR 0.4 million and EUR 0.2 million).

Asset sales mainly represent sales of fixtures made by the Group's mother company, Orco Property Group S.A. (net sale of EUR -1.0 million) and Orco Prague,a.s. in the Czech Republic (net sale of EUR -0.4 million).

Change to proportional consolidation (EUR -0.1 million) represents the sale of Residence Belgicka in the Czech Republic and

Residence Diana in Poland to Hospitality Invest S.à r.l.

12. Properties under development

Properties under development	31 December 2009	31 December 2008
Opening Balance	**99,673**	**104,369**
Work in progress	12,316	84,213
Impairments	-	-27,367
Transfers and other movements	-108,827	-56,302
Translation differences	-2,194	-2,640
Movements in advance payments for work in progress	-998	-2,600
Closing Balance	**-**	**99,673**

As at 31 December 2009, the advance payments of EUR 1.5 million, compared to EUR 2.5 million as at 31 December 2008 have been transferred to other current assets. These advance payments essentially relate to the development of various projects in the Czech Republic.

- **In 2009**

During the year, the Group invested EUR 12.2 million in the new warehouse of Molcom in Russia.

The transfers relate mainly to three reclassifications:

- Na Porici, which has been completed (EUR -45.4 million) is reclassified in Investment Properties (see note 8);
- Budapest Stock exchange (EUR -41.7 million) is reclassified in Investment Properties (see note 8).
- Molcom Warehouse, which has been completed (EUR -19.3 million) and reclassified in Own Occupied Buildings (see note 9).

- **In 2008**

The Work in progress represents several investments made during the period for the following projects:

- Radio Free Europe (EUR 45.1 million), office development in Prague;
- Budapest Stock Exchange (EUR 2.8 million), retail development in Budapest;
- Paris Department Store (EUR 7.3 million), retail and development in Budapest;
- Molcom (EUR 12.5 million), construction of a warehouse in Moscow;
- Na Porici (EUR 13.3 million), office development in Prague;

Additional impairments have been recognized on the basis of the value established by DTZ on the following properties (see note 4.1):

- Na Porici impaired for EUR -19.1 million;
- 190 Vaci Road impaired for EUR -2.0 million;
- Molcom Warehouse impaired for EUR -6.2 million.

Transfers and other movements represent three categories of reclassifications (EUR 56.3 million):

- The first category relates to the reclassification of the lands and land bank, that were previously recognized as investment properties, and have been transferred to Properties under development. The main transfers are:
  - Budapest Stock Exchange: EUR 18.1 million;
  - Molcom: EUR 2.3 million;
  - Na Porici: EUR 17.5 million.
- The second category relates to the projects that are meant to be sold and have been transferred to Inventories. The main transfers are:
  - The Paris Department Store: EUR -18.2 million;
  - The Peugeot Showroom project in Warsaw: EUR -3.3 million.

- Finally, 2 projects have been completed during the third and fourth quarter:
  - The project Radio Free Europe is recognized as Investment Property (EUR -65.3 million);
  - The project of the hotel Riverside II is recognized in the Hotels category (EUR -5.1 million);

2 projects (EUR 88.9 million) (Vaci 1 in Hungary and Na Porici in the Czech Republic) are pledged for a total amount of EUR 52.2 million (nil in 2007).

13. Financial assets at fair value through Profit or Loss

This line includes mainly 2 financial assets:

- the fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 10.5 million (EUR 29.4 million in 2008).The Endurance fund managed by the Group (see note 30) is divided in three specialised sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 2009, based on the net asset value as provided by the fund Manager with a liquidity discount of 20% (nil in 2008), amounts to a loss of EUR 19.8 million (EUR 6.2 million loss in 2008). The fair value of this financial asset has been determined according to the Endurance Fund consolidated financial statements as at 30 September 2009. An additional change in fair value of EUR 2.5 million has been recognized between 30 September and 31 December 2009.
- the non eliminated portions of the equity loans granted to joint-ventures for EUR 44.4 million (EUR 38.8 million in 2008) out of which EUR 43.9 million (EUR 38.2 million in 2008) million correspond to 50% of the loan granted to the hospitality joint-venture with AIG (including the accrued interests). The non eliminated part of two loans granted to the hospitality joint venture (on profit participating loan to the joint venture holding company and one loan granted directly to a hotel company) have been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan. The decrease in fair value of these two assets has been recognised through profit or loss for a total amount of EUR 22.9 million.

14. Inventories

Inventories	31 December 2009	31 December 2008
Opening Balance	**529,827**	**323,699**
Abandoned development projects	-39,956	-
Net impairments	-39,659	-82,773
Transfers	-29,626	137,435
Translation differences	2,582	-26,209
Development costs	135,207	305,437
Cost of goods sold	-75,770	-127,762
Closing Balance	**482,605**	**529,827**

Inventories properties are developed with the intention to resell.

- In 2009

The Group decided to not finalize and to sell two projects:

- the City Gate project in Bratislava was sold for a net result of EUR -5.9 million (NBV of EUR 29.4 million).
- the Fehrbelliner Hofe project in Berlin was sold for a net result of EUR - 5.6 million (NBV of EUR 10.6 million).

Development costs amounting to EUR 135.2 million, out of which EUR 87.5 million have been financed by bank loan draw downs, have been capitalized on the following projects: Sky Office (EUR 47.4 million), H2 Office (EUR 21.0 million), Vysocany gate (EUR 6.8 million), Bernauer Straße (EUR 5.9 million), Zlota 44 (5.7 million), Neuenkirchener Straße (EUR 5.7 million), Targowek / Malborska (EUR 4.6 million), Tschaikowskistraße 33 (EUR 4.2 million), Paris Department store (EUR 2.9 million), Warsaw – Drawska (EUR 4.0 million) and Danzigerstrasse (EUR 2.1 million).

The transfers arise from the following properties: Hradanska (EUR -14.8 million), Paris Department Store (EUR -21.5 million in Investment Property and EUR 2.2 million in fixtures and fittings) -which are now rented and are reclassified as Investment Property. The project Mostecka in Czech Republic (EUR +10.8 million) was transferred from Investment Property to Inventories, as it is intended to be developed and sold.

Impairments have been recognized mainly on the following properties:

- Sky Office: EUR -15.0 million
- Benice: EUR -4.8 million
- Duisburg (H2 Office): EUR -3.8 million
- Vavrenova: EUR -2.9 million
- Sczeczin/Szoza Polska: EUR -2.3 million
- Pivovar Vrchlabi: EUR -3.8 million
- Vysocany Gate: EUR -2.8 million

12 projects in development (EUR 238.5 million) are pledged for a total amount of EUR 147.5 million.

- **In 2008**

Inventories properties are developped with the intention to resell.

Following the change in the intended use of various properties the following transfers have occurred:

EUR 62.4 million from Freehold buildings, EUR 45.7 million from Land bank, EUR 22.1 million from Construction in progress, EUR 7.3 million from Land.

The main transfers arise from the following properties: Benice (EUR 30.8 million), City Gate (EUR 28.3 million), Hradcanska (EUR 23.4 million), Paris Department Store (EUR 25.5 million), Danziger Strasse (EUR 7.1 million), Duisburg (EUR 3.9 million), Vavrenova (EUR 3.6 million), Peugeot Showroom (EUR 3.3 million), Slunecny Vrsek (EUR 4.1 million), Michle (EUR 2.4 million).

Additional impairments have been recognized as described in note 4.1.d mainly on the following properties:

- Fehrbelliner Hofe: EUR -16.5 million;
- Benice: EUR -17.2 million;
- Hradcanska: EUR -13.0 million;
- City Gate: EUR -7.5 million;
- Duesseldorf Sky Office: EUR -6.2 million;
- Danziger Strasse: EUR -5.3 million.

The main development costs have been incurred on the following projects: Sky Office (EUR 59.3 million), Zlota Tower (EUR 40.8 million), Targowek (EUR 21.8 million), Koliba (EUR 16.4 million), Benice (EUR 12.3 million), Rudna II (EUR 11.9 million), Vysocany Gate (EUR 11.2 million), Hradec Kralové (EUR 8.2 million), Duisburg (EUR 7.8 million), Minstergarten (EUR 6.1 million), Fehrbelliner (EUR 3.7 million). The remaining development costs are below EUR 5 million per project.

16 projects (EUR 399.6 million) in development are pledged for a total amount of EUR 214.0 million (8 projects for EUR 63.7 million in 2007).

15. Loss on disposal of assets

During 2009, in the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 93.9 million generating a consolidated net loss of EUR 13.5 million and a net cash inflow after financial debt repayment amounting to EUR 30.3 million.

The loss mainly comes from the sale of two projects that have been abandoned and sold: Fehrbelliner Hofe in Berlin (EUR -5.7 million) and City Gate in Bratislava (EUR -5.9 million).

The entity Orco property management services a.s. has been sold and its services externalized for a total consideration of EUR 1.3 million.

16. Other current assets

	Balance at 31 December 2008	Variation	Impairments	Transfer	Translation differences	Balance at 31 December 2009
Prepayment tax receivables	28,475	-22,056	-	-	-611	5,808
Prepayment of Income tax	3,154	-2,570	-	-	22	606
Prepayment social securities	17	-17	-	-	-	-
Operating loans	11,932	2,519	-	-415	-267	13,769
Accrued assets	41,097	-20,335	-	-	129	20,891
Other current assets	2,907	1,330	-862	14	79	3,468
Dividends receivable	637	-623	-	-	-	14
Accrued interests	3,501	4,412	-	-3,693	25	4,245
Other assets	3,716	6,869	-6,026	1,365	71	5,995
Advance payment for work in progress	-	3,315	-	-1,818	54	1,551
Total other current assets	**95,436**	**-27,156**	**-6,888**	**-4,547**	**-498**	**56,347**

	Balance at 31 December 2007	Variation	Impairments	Transfer	Translation differences	Balance at 31 December 2008
Prepayment tax receivables	23,645	6,077	-	3	-1,250	28,475
Prepayment of Income tax	2,263	1,051	-	-	-160	3,154
Prepayment social securities	58	-41	-	-	-	17
Operating loans	22,385	-18,983	-	9,470	-941	11,931
Accrued assets	34,859	6,314	-	-	-76	41,097
Other current assets	20,442	-17,483	-	-50	-3	2,906
Dividends receivable	6	631	-	-	-	637
Accrued interests	2,553	972	-	66	-90	3,501
Other assets	7,587	7,188	857	-11,906	-8	3,718
Total other current assets	**113,798**	**-14,274**	**857**	**-2,417**	**-2,528**	**95,436**

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

17. Cash and cash equivalents

As at 31 December 2009, the cash and cash equivalents consist of short term deposits for EUR 2.2 million (EUR 17.1 million in 2008), cash in bank for EUR 54.6 million (EUR 66.5 million in 2008) and cash in hand for EUR 0.2 million (EUR 0.2 million in 2008).

Cash in bank include restricted cash (EUR 35.2 million – EUR 55.0 million in 2008) representing:

- cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal (EUR 6.5 million – EUR 7.9 million in 2008);
- cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units (EUR 10.0 million – EUR 15.4 million in 2008);
- cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property (EUR 18.7 million – EUR 31.7 million in 2008).

18. Non controlling interests' transactions

- **2009**
  - In March 2009, the company NWDC in Czech Republic (shareholding of the Group of 51% as at 31 December 2008) was sold. This transaction resulted in decrease in non controlling interests of EUR -0.5 million.
  - The Group increased its participation of 1.31% in Orco Germany by integration of some Orco Germany shares previously disclosed as current financial assets. This operation led to an impact on the non controlling interests of EUR -1.8 million.

- **2008**
  - In January 2008, Suncani Hvar dd proceeded to a capital increase that has been subscribed by the Group. As a result the minority interests in absolute terms decreased by EUR 8.6 million and the shareholding of the Group in Suncani Hvar dd has slightly gone up from 47.6% to 55.6%.

- In June 2008, the Group sold 1% of Orco Molcom BV (shareholding of the Group of 69% as at December 2008). It results to a decrease of the equity attributable to owners of the company of EUR 1.1 million.
- The sale to the residential Endurance sub-fund of 25% in one residential development in Czech Republic (Benice) resulted in a decrease of the equity attributable to owners of the company amounting to 3.3 million.

19. Borrowings, financial debts, bonds and derivatives

At 31 December 2009, 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	TOTAL
Balance at 31 December 2007	**129,762**	**20,628**	**270,216**	**472,812**
Interest accumulated during the year	13,599	156	13,736	27,812
Repayment of bonds	-	-	-	-38,742
Translation differences	-	-	-	-2,710
Transfer to short term	-	-	-	-11,075
Own bonds	-8,317	-1,389	-8,954	-18,660
Balance at 31 December 2008	**135,044**	**19,395**	**274,998**	**429,437**
Interest accumulated during the year	14,131	124	13,974	28,229
Transfer to short term	-	-	-47,921	-47,921
Own bonds	1,200	-1,548	-	-348
Balance at 31 December 2009	**150,375**	**17,971**	**241,051**	**409,397**

No new bonds have been issued in 2009.

The transfer of bonds to short term (EUR -47.9 million) relates to the OBSAR 1 bond which is due for redemption in November 2010.

In 2009 Orco Property Group sold 76,279 convertibles bonds on the open market for a total consideration of EUR 1.2 million.

Based on requests for early redemption received from individual holders of the Czech bond (the "Bond CZK") that was issued in February 2006, the Group reimbursed 110 bonds (out of 140 outstanding) in 2008 amounting to CZK 1,100,000,000 (EUR 40.8 million). During the year 2009, bondholders requested the reimbursement of 27 bonds CZK, out of the 30 bonds still outstanding, for a value of CZK 200,000,000 (EUR 7.7 million). The Bond CZK is classified in short term for CZK 300,000,000 (EUR -11.3 million) as its repayment can be requested on demand due to a breach of loan covenant (the CZK bonds were downgraded by Moody's in 2008).

See note 4.2 for covenants, defaults and cross defaults.

19.2 Non-current financial debts

Non-current financial debts	Bank loans	Other non-current borrowings	Finance lease liabilities	TOTAL
Balance at 31 December 2007	**806,738**	**23,855**	**1,131**	**831,724**
Issue of new loans and drawdowns	278,622	10,182	315	289,119
Repayments of loans	-105,779	-9,084	-27	-114,890
Transfers	-164,121	7,386	-278	-157,013
Translation differences	-22,042	-400	-15	-22,457
Balance at 31 December 2008	**793,418**	**31,939**	**1,126**	**826,483**
Issue of new loans and drawdowns	41,912	1,456	20	43,388
Amortized cost review	-	-17,972	-	-17,972
Repayments of loans	-44,803	-378	-44	-45,225
Transfers	-317,480	-1,095	-	-318,575
Translation differences	-3,645	160	20	-3,465
Balance at 31 December 2009	**469,402**	**14,110**	**1,122**	**484,634**

- **2009**

Issue of new bank loans and drawdowns (EUR 41.9 million) are mainly related to the following projects:

- further drawdowns for the construction of Oranienburg senior residence in Germany (EUR 7.0 million);

- further drawdowns for Na Porici (EUR 6.9 million);

- drawdowns for Healthcare projects (EUR 13.7 million);

- drawdowns for Kosic (EUR 4.4 million);

- refinancing for the Paris department store (EUR 2.8 million) and Budapest Stock Exchange (EUR 2.0 million) in Hungary;

- refinancing for Diana development (EUR 2.5 million) in Poland and Belgicka residence (EUR 1.2 million) in Czech Republic;

- various other small projects (EUR 1.4 million).

Repayments of bank loans (EUR -44.8 million) are mainly related to the following operations:

- Asset sales in Germany: Immanuelkirchstrasse (EUR -7.2 million), Reinhardtstrasse (EUR -6.8 million), Prenzlauer (EUR -1.4 million), Kollwitzstrasse (EUR -1.4 million), Wilhelm Kuhr Str. (EUR -1.3 million), Görschstrasse (EUR -1.3 million), John Schehr Str. (EUR -1.4 million), Brunnenstrasse (EUR -1.5 million) and Pappelallee (EUR -2.6 million).

- Sale of Nove Dvory (EUR -5.1 million), Brno Shopping (EUR -2.6 million) in the Czech Republic.

Transfers of bank loans (EUR -317.5 million) are mainly due:

- to the reclassification of the bank loans, that will fall due within twelve months of year end, of Sky Office in Dusseldorf (EUR -65.2 million); of Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); of Paris Department store (EUR -16.5 million) in Hungary; and of Targowek/Malborska (EUR -15.8 million) and Viterra (EUR -2.7 million) in Poland.

- to new breaches on financial covenants for the bank loans financing the following projects: Suncani Hvar (EUR -41.1 million) in Croatia; Zlota (EUR -40.7 million), Marki (EUR -3.7 million), and Przy Parku (EUR -3.6 million) in Poland; Franklinstrasse (EUR -29.4 million) in Germany; Main Budapest Bank (EUR -19.6 million), and Budapest Stock Exchange (EUR -24.2 million) in Hungary. These loans would be repayable on demand if they are declared in default by the bank hence the non-current part has been reclassified as current.
As at 31 December 2009, the total carrying value of loans in breach due to financial covenants amounts to EUR 364.7 million. As at 30 March 2010, none of the loans with breach of covenants as at 31 December 2009 have been restructured. The objective of the management is to restructure and renegotiate these loans in priority to comply as soon as possible with the bank loan covenants.

Other non-current loans are mainly equity loans from joint ventures and loans from partner companies. The new loans (EUR 1.5 million) mainly relate to MS Invest and Hospitality (EUR +0.7 million and EUR +1.0 million respectively). The transfers relate mainly to a reclassification of advance payments (EUR -0.7 million) in Gebauer Hofe.

As a result of the amortized cost review, the net present value of the profit participating loan granted to the Hospitality joint venture by the partners has been decreased by an amount of EUR 18.0 million.

- **2008**

Issue of new bank loans and drawdowns (EUR 278.6 million) are mainly related to the following projects:

- further drawdowns for the construction of the Sky Office tower in Germany (EUR 46.8 million);

- refinancing of Radio Free Europe and Na Porici projects in the Czech Republic (respectively EUR 41.3 million and EUR 9.9 million);
- refinancing of Hospitality projects (EUR 34.3 million);
- refinancing of Vaci 1 (Budapest Stock Exchange) in Hungary (EUR 23.6 million);
- financing of acquisition of land plots Malborska and Przy Parku in Poland (respectively EUR 18.4 million and EUR 4.4 million);
- refinancing of Zlota Tower in Poland (EUR 24.9 million).

Repayments of bank loans (EUR -105.8 million) mainly related to the following operations:

- sale of the Luxembourg Plaza building (EUR -26.0 million);
- early repayments of Hospitality loans as the result of their refinancing (EUR -16.9 million);
- sale of Avenue Gardens in Hungary (EUR -11.7 million);
- repayments of loans linked to the sale of Vinhorady building portfolio (Anglicka 26, Belgicka 40, Londynska 41 and Manesova 28) for a total amount of EUR -9.9 million;
- repayment of one of the loan financing Mostecka project in the Czech Republic for EUR -6.8 million;
- repayment of some Suncani Hvar loans (EUR -3.9 million).

Transfers of bank loans (EUR -164.1 million) are due:

- to the reclassification of the bank loans related to the following projects:
    - Wertheim and Wasserstraße in Germany for respectively EUR -65.6 million and EUR -7.0 million;
    - Bubny in the Czech Republic for EUR -27.9 million;
    - City Gate and Dunaj in Slovakia for respectively EUR -16.7 million and EUR -12.7 million;
    - Szervita in Hungary for EUR -10.3 million.

Most of these projects will have to be refinanced within 12 months.

- to breaches on financial covenants for the bank loans financing the following projects: Reinhardtstraße (EUR -6.8 million), Brunnenstraße 156 and Invalidenstraße 112 (together EUR -6.7 million), Danzigerstraße 73-77 (EUR -5.5 million), Prenzlauer Allee (EUR -1.4 million), Jeremiasova (EUR -2.2 million), Wilhelm-Kuhr-Straße and Görschstraße 18 (EUR -1.3 million both). As the repayment for these loans can be requested at first demand, the non-current part is reclassified as current. Most of the breaches were related to the Loan to Value ratio (except for the Danziger Strasse loan). In the context of the restructuring program, the Group sold 3 out of the 8 assets in breach during the first semester 2009.

The issue of new other non-current loans (EUR 10.2 million) mostly represents the increase of equity loans for three projects of which the Group sold 25% of its shares (companies which hold Zlota Tower, Szoza Polka and Jozefoslaw projects). The total increase is EUR 8.1 million.

The repayments of other non-current loans are mainly due to the repayment of a part of the Profit Participating Loan (PPL) granted by AIG (EUR -7.0 million).

The long term portion of the loans financing the development projects classified as inventories amounts to EUR 175.2 million (EUR 63.7 million in 2007).

19.3 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. In 2009 the non-current bonds and financial debts amount to EUR 0.9 billion (in 2008 EUR 1.3 billion).

At 31 December 2009	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current						
Bonds		-	-	**258,720**	**150,677**	**409,397**
Convertible bonds	19.7	-	-	150,375	-	150,375
Exchangeable bonds	19.5	-	-	17,971	-	17,971
Fixed rate bonds	19.9 - 10	-	-	90,374	150,677	241,051
Financial debts		-	**18,492**	**392,094**	**74,048**	**484,634**
Bank loans		-	18,492	392,094	58,816	469,402
Fixed rate		-	2,599	17,932	9,768	30,299
Floating rate		-	15,893	374,162	49,048	439,103
Other non-current borrowings		-	-	-	14,110	14,110
Finance lease liabilities		-	-	-	1,122	1,122
Total		-	18,492	650,814	224,725	894,031
Current						
Bonds		**59,219**	-	-	-	**59,219**
Floating rate bonds	19.8	11,298	-	-	-	11,298
Fixed rate bonds	19.6	47,921	-	-	-	47,921
Financial debts		**595,776**	-	-	-	**595,776**
Bank loans		593,475	-	-	-	593,475
Bank loans fixed rate		99,798	-	-	-	99,798
Bank loans floating rate		493,677	-	-	-	493,677
Other borrowings		2,301	-	-	-	2,301
Liabilities held for sale		**51,451**	-	-	-	**51,451**
Bank loans floating rate		51,451	-	-	-	51,451
Total		706,446	-	-	-	706,446
TOTAL		706,446	18,492	650,814	224,725	1,600,477

At 31 December 2008	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current						
Bonds		-	**45,488**	**241,232**	**142,717**	**429,437**
Convertible bonds	19.7	-	-	135,044	-	135,044
Exchangeable bonds	19.5	-	-	19,395	-	19,395
Fixed rate bonds	19.9 -10	-	45,488	86,793	142,717	274,998
Financial debts		-	**175,918**	**408,443**	**242,122**	**826,483**
Bank loans		-	175,918	406,533	210,967	793,418
Fixed rate		-	10,073	23,969	19,887	53,929
Floating rate		-	165,845	382,564	191,080	739,489
Other non-current borrowings		-	-	1,910	30,029	31,939
Finance lease liabilities		-	-	-	1,126	1,126
Total		-	221,406	649,675	384,839	1,255,920
Current						
Bonds		**11,075**	-	-	-	**11,075**
Floating rate bonds	19.8	11,075	-	-	-	11,075
Bonds		-	-	-	-	-
Financial debts		**298,761**	-	-	-	**298,761**
Bank loans		293,162	-	-	-	293,162
Bank loans fixed rate		13,658	-	-	-	13,658
Bank loans floating rate		279,504	-	-	-	279,504
Other borrowings		5,599	-	-	-	5,599
Total		309,836	-	-	-	309,836
TOTAL		309,836	221,406	649,675	384,839	1,565,756

The increase in current floating rate bank loans is mainly due to the transfer of breached loans in respect of Suncani Hvar, Franklinkstrasse, and main Budapest Bank for respectively EUR 41.1 million, EUR 29.4 million and EUR 19.6 million. In addition there was a transfer of Sky Office (EUR -65.2 million), Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); and Viterra (-2.7 million) loans which are due in 2010.

The fixed rate bond in current liabilities (EUR 47.9 million) was transferred from non-current bonds in 2009 as this is due to be repaid in 2010 (nil in 2008).

The other non-current borrowings relate mainly to 50% of the equity loan granted to Hospitality Invest S.à r.l. by AIG, the joint-venturer.

The Group has entered into interest rate derivatives representing 72.7% of the non-current floating rate borrowings (in 2008: 72.8%) and 35.7% of the current floating rate borrowings (in 2008: 51.3%) in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 1.108 billion (1.087 billion as at 31 December 2008).

Held for sale liabilities in Current represent the loans in respect of Helberger, Stein, Budapest Bank, and Wasserstrasse which are classified as held for sale and accrued interests amounting to EUR 0.3 million.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	31 December 2009	31 December 2008
EUR	1,344,648	1,267,515
CZK	116,310	115,576
PLN	75,021	70,658
SKK	-	47,454
RUR	761	-
USD	48,867	53,343
HUF	270	-
HRK	14,600	11,210
Total	**1,600,477**	**1,565,756**

19.4 Undrawn bank credit facilities

	31 December 2009	31 December 2008
Expiring within one year	98,064	63,383
Expiring after one year	34,771	238,200
Total	132,835	301,583

- **In 2009**

The decrease in undrawn credit facilities is due to three main factors:

- Amounts drawn in 2009 on Sky Office project in Germany (EUR -33.9 million), on H2 Office project in Germany (EUR -14.0 million), on Healthcare senior homes in Germany (EUR -20.7 million), on Zlota 44 in Poland (EUR -4.7 million), on Na Porici and on Kosic (phase 2) in Czech Republic (respectively EUR -6.8 million and EUR -4.4 million).
- The sales of City Gate in Slovakia and Origo Project in Hungary had undrawn credit facilities of EUR 58.3 million as at December 2008.
- EUR -39.0 million of the undrawn credit facilities in 2008 expired in 2009.

There are also expanded credit lines in 2009 mainly for Sky Office in Germany (EUR 18.7 million), Targowek / Malborska (EUR 6.7 million), and Suncani Hvar (EUR 3.6 million).

- **In 2008**

The decrease in undrawn credit facilties 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 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 2009, no bond had been exchanged.

The funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a long term derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The derivative component of EUR 0.7 million (EUR 1.4 million in 2008), classified in non-current financial obligations, represents the market value of the call options embedded in the bond. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance at 31 December 2007	**20,628**
Interest accumulated during the period	156
Own bonds	-1,389
Balance at 31 December 2008	**19,395**
Interest accumulated during the period	123
Own bonds	-1,548
Balance at 31 December 2009	**17,970**

As at 31 December 2009, the market price of Hvar dd shares on the Zagreb Stock Exchange was HRK 29.50 (HRK 39.90 at 31 December 2008). From issue date to 31 December 2009, the Group has repurchased 225,081 exchangeable bonds (164,081 as at 31 December 2008).

19.6 Bonds with repayable subscription warrants ("OBSAR 1")

Orco Property Group launched an exchange offer on the 2012 callable warrants (BSAR 2012) (ISIN code: LU0234878881). Each holder of warrants was entitled to elect to receive, for every 3 BSAR 2012, 1 new share of the Company and 3 new BSAR 2014 (ISIN code: XS0290764728). The prospectus of the exchange offer on the 2012 callable warrants of the Company was approved by the Commission de Surveillance du Secteur Financier (CSSF) on 22 October 2007. The offer closed on 16 November 2007 with 1,077,861 2012 callable warrants tendered into the offer (success rate of 98.07%).

As a consequence:

- 359,287 new shares have been issued.
- 1,077,861 new 2014 callable warrants (exercise price of EUR 146.39) have been issued. The number of warrants reaches 2,871,021. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2014 callable warrant exercised at EUR 146.39 in 2014. Refer to note 19.9 for amendments on BSAR 2014. The resolution was approved by 95.11% of the warrant holder present (out of which 91.7% were represented by key management personnel) with over 50% of warrant holders present or represented.
- The number of existing 2012 callable warrants (exercise price of EUR 68.61) is thus reduced to 21,161. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2012 callable warrant exercised at EUR 68.61.

<u>Bonds</u>

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

<u>Warrants</u>

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 2.4 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 6.8 million (EUR 5.5 million in 2008), classified in non-current liabilities under the caption Derivative Instruments, represents the market value of the redemption premium granted to the bondholder if the average market price of Orco shares does not reach a certain level before the repayment date. This derivative is revalued at its market value at each closing through the income statement. The external valuer used a credit spread of 55.34%. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance as at 31 December 2007	**43,208**
Interest accumulated during the period	2,280
Balance as at 31 December 2008	**45,488**
Interest accumulated during the period	2,433
Balance as at 31 December 2009	**47,921**

19.7 Convertible bonds 2006-2013

Bonds

Nominal	EUR 149,999,928
Number of bonds	1,086,956
Nominal value per bond	EUR 138.00
Issue price per bond	at par value, EUR 138.00
Redemption price if not converted	138.62% of par at EUR 191.29; i.e. a gross yield-to-maturity of 5.65%
Nominal interest rate	1.0%
Normal Redemption	the non converted bonds will be reimbursed in cash on 31 May 2013.
Conversion ratio	One new share for one bond
Issuance date	01 June 2006
Early Redemption	Subject to the one month's notice to bearers before the early redemption date, the Company may redeem all bonds from 1 July 2008 under the condition that the share price of Orco Property Group exceeds 130 % of the issue price during 30 consecutive days after 1 June 2008. The bondholders who did not convert within 30 days will, on top of the par and accrued interest, receive a reimbursement premium giving them a 5.65 % IRR.

ISIN	FR0010333302
Listing	Euronext – Paris

Balance as at 31 December 2007	129,762
Interest accumulated during the period	13,599
Own Bonds purchased	-8,317
Balance as at 31 December 2008	135,044
Interest accumulated during the period	14,131
Own bonds reissued	1,200
Balance as at 31 December 2009	150,375

As at 31 December 2009, no bond had been converted.

The funds raised with this convertible bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 27.3 million reduced by EUR 8.3 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the call options embedded in the convertible bond.

As disclosed above, the terms of the issuance include a redemption premium to be paid by the Group if the bond is not converted. In accordance with IAS 32 prescriptions, this premium is amortized as interest over the lifetime of the bond.

In 2009 Orco Property Group sold 76,279 bonds on the open market for a total consideration of EUR 1.2 million and as at 31 December 2009 holds no bonds (76,279 in 2008).

19.8 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 as at 31 December 2007	52,206
Interest accumulated during the period	321
Repayment	-38,742
Translation differences	-2,710
Balance as at 31 December 2008	11,075
Interest accumulated during the period	26
Translation differences	196
Balance as at 31 December 2009	11,297

The prospectus related to the Czech Bond has been approved on 26 January 2006 by the Securities Commission of the Czech Republic (the "Czech Bond Prospectus"). There are 2 Czech Rating Agencies (the “CRA”) ratings outstanding at the date of the issuance of the Czech Bonds: "czP-2" for the long term international CRA rating and "czA-" for the long term local CRA rating. Furthermore the Czech Bond Prospectus states that if CRA withdraws the above-mentioned ratings, the Company shall ask a well-known rating agency in the Czech Republic to issue a rating within 6 months. If CRA or any other rating agency issues a long-term international CRA rating below “investment grade i.e. Baa-“ or a long term local CRA rating below “investment grade i.e. czBaa-“, any investor in the Czech Bonds may call for the reimbursement of its bonds. The reimbursement would then be due on the last business day of the month following the month of the reimbursement request. On the Company’s initiative, Moody’s International has issued two ratings: "B2" and "Baa3cz". Since its complete integration within Moody’s, CRA cannot issue international ratings any more, but merely local ratings. However, the scale established by CRA in the Czech Bond Prospectus, setting the minimum threshold to “investment grade” for international rating does not fit with the Moody’s “investment grade” level. Hence, there is a comparability technical default in relation to the Czech Bonds.

No new bonds have been issued in 2009.

Based on requests for early redemption received from individual holders following the downgrade of rating by Moody’s, the Group has reimbursed 110 bonds (out of 140 outstanding) amounting to 1,100,000,000 CZK (EUR 40.8 million in 2008). Out of the 30 remaining bonds, reimbursement requests have been received for 27 bonds in 2009.

See note 3.2 for covenants and note 34 explaining the non-repayment of the balance in 2009 due to the “Procédure de Sauvegarde”.

19.9 Bonds with repayable subscription warrants ("OBSAR 2")

Refer to the note on the OBSAR 1 concerning the exchange offer relative to the 2012 callable warrants.

On December 16, 2009, a general meeting of the holders of warrants 2014 was held and approved the following changes proposed by the Company to permit the exchange of warrants for shares and/or redemption of the bonds by the company prior to 2014:

Amendments applicable until February 15, 2010

Each warrant 2014 shall entitle the holder to acquire 8.7 existing shares and/or subscribe to 8.7 new shares at the exercise price of EUR 60.9 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time until February 15, 2010 at a unit price of EUR 0.01 subject to the following conditions:

- the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR 87 for the first tranche being one third of outstanding warrants; EUR 130.5 for the second tranche being half of outstanding warrants; and EUR 174 for the remaining outstanding warrants.

Amendments applicable after February 16, 2010

Each warrant 2014 shall entitle the holder to acquire 1.6 existing shares and/or subscribe to 1.6 new shares at the exercise price of EUR 11.2 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time as from February 16, 2010 at a unit price of EUR 0.01 subject to the following conditions:

- the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR16 for the first tranche being one third of outstanding warrants; EUR 24 for the second tranche being half of outstanding warrants; and EUR 32 for the remaining outstanding warrants.

The resolution was approved by 95.11% of warrant holders (out of which 91.7% were represented by key management personnel) present with over 50% of warrant holders present or represented.

Bonds

Issuer	Orco Property Group S.A.
Nominal	EUR 175,000,461.60
Number of bonds	119,544
Nominal value per bond	EUR 1,463.90
Issue price per bond	EUR 1,421.45
Redemption	28 March 2014
Redemption price	117.5% of par at EUR 1,720.08, i.e. a gross yield-to-maturity of 7.383%.
Nominal interest rate	2.5%
ISIN	XS0291838992 / XS0291840626
Listing	Euronext - Brussels

Creditors in respect of the share subscription options maturing in 2014

The share subscription options maturing in 2014 issued by OPG on the basis of the prospectuses registered by the Commission de Surveillance du Secteur Financier on 22 March 2007 and 22 October 2007 (ISIN XS0290764728) could result in a liability for the Company in the event of any change in its control. Total liabilities of EUR 0.7 Million are involved.

Warrants

Number of warrants	1,793,160 at issuance (corresponding to 15 warrants/issued bond)
	2,871,021 after the public exchange offer on the OBSAR 1
Exercise ratio	one warrant gives the right to 1.03 share (before amendments)
Exercise price	EUR 146.39 (before amendments)
Exercise period	until 28 March 2014
Early repayment	From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceeding period of 30 consecutive dealing days exceeds EUR 190.31 (before amendments).
ISIN	XS0290764728
Listing	Euronext - Brussels
	Euronext - Paris

The funds raised with this bond have been, at issuance, divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 23.9 million reduced by EUR 2.4 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond.

Balance at 31 December 2007	**143,575**
Interest accumulated during the period	8,094
Own bonds	-8,952
Balance at 31 December 2008	**142,717**
Interest accumulated during the period	8,700
Own bonds	-740
Balance at 31 December 2009	**150,677**

As at 31 December 2009 Orco Property Group owned 8,533 bonds (8,533 in 2008) whose value has remained constant EUR 1,421.45 (EUR 1,421.45 as at 31 December 2008).

19.10 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 3.7 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 8.5 million (EUR 7.6 million in 2008) classified in non-current financial liabilities under Derivative Instruments, represents the market value of the redemption premium granted to the bondholders if the average market price of Orco Germany shares does not reach a certain level before the repayment date. The external valuer used a credit spread of 55.34%. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance as at 31 December 2007	83,432
Interest accumulated during the period	3,361
Balance as at 31 December 2008	86,793
Interest accumulated during the period	3,581
Balance as at 31 December 2009	90,374

As at 31 December 2009 Orco Property Group owned 550,000 warrants (2,937,331 in 2008).

19.11 Derivatives

Derivative instruments are presented within other current assets when fair value is positive, in other current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

Derivatives used by the Group include interest rate derivatives, foreign exchange forward contracts, share derivatives and embedded derivatives on bonds.

Share derivatives represent call options on Suncani Hvar shares corresponding to the options issued with exchangeable bonds (see note 19.5).

Embedded derivatives on bonds correspond to the derivatives embedded on the OBSAR (see notes on the specific bonds 19.6 and 19.10).

Orco Property Group uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates.

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates. As at 31 December 2009 the total debt covered by interest rate swaps and collars amounts EUR 495.7 million (EUR 738.6 million in 2008) or 53.2% of the floating rate debt (71.7% in 2008).

Foreign exchange derivatives include agreements to buy or sell a quantity of currency at a predetermined future date and rate. Orco Property Group uses foreign exchange derivatives in PLN to cover financing needs for the development of Poland.

	31 December 2009	31 December 2008
Interest rate derivatives	255	260
Forex derivatives	2,440	4,838
Total current assets	2,695	5,098
Share derivatives	702	1,430
Embedded derivatives on bonds (see note 19.9)	8,587	13,487
Total non-current liabilities	9,289	14,917
Forex derivatives	-	2,748
Embedded derivatives on bonds (see note 19.5)	6,817	-
Interest rate derivatives	37,563	35,634
Total current liabilities	44,380	38,382
Net derivatives	-50,974	-48,201

The Forex derivatives in current liabilities in 2008 expired in April 2009 with a final settlement amount of 1.3MEUR. This has yet to be paid and is recognized in other liabilities.

19.12 Capitalised interests on inventories and properties under development

	31 December 2009	31 December 2008
Inventories	7,779	14,745
Properties under construction	2,736	7,371
Capitalised interests	**10,515**	**22,116**

19.13 Average effective interest rates (current and non current)

	31 December 2009						
	EUR	CZK	SKK	HUF	PLN	HRK	USD
Bonds	9.05%	4.52%	-	-	-	-	-
Bank borrowings	4.81%	3.99%	-	7.30%	6.41%	4.65%	5.54%
	31 December 2008						
	EUR	CZK	SKK	HUF	PLN	HRK	USD
Bonds	8.25%	6.20%	-	-	-	-	-
Bank borrowings	3.82%	5.52%	4.62%	-	7.31%	4.18%	5.03%

19.14 Minimum lease payments

	31 December 2009	31 December 2008
Future rent more than 5 years	3,756	3,803
Future rent up to 5 years	504	514
Future finance charges on finance leases	-3,138	-3,191
Present value of finance lease liabilities	**1,122**	**1,126**

20. Provisions & other long term liabilities

This caption includes other long term liabilities for EUR 2.0 million (EUR 13.0 million in 2008) representing mainly retention on general contractors' invoices when applicable. The provisions amount of EUR 15.0 million in 2009 (compared to EUR 16.6 million in 2008) includes mainly provisions accumulated to cover the Group's retirement benefit obligation as detailed hereafter. No provision for restructuring is booked in 2009 (EUR 3.2 million in 2008).

Retirement benefit obligation:

In the Group, only Orco Projektentwicklungs GmbH (formerly Viterra Development GmbH) and Viterra Baupartner GmbH (acquired in 2006) have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet.

	31 December 2009	31 December 2008
Present value of unfunded obligations	8,661	7,964
Unrecognised actuarial gains	1,136	1,827
Liabilities in the balance sheet	**9,797**	**9,791**

The movement in the defined obligation over the year is as follows:

	2009	2008
Beginning of the year	**7,964**	**7,934**
Current service cost	26	85
Interest cost	455	426
Actuarial gains	617	-90
Benefits paid	-400	-391
End of the year	**8,662**	**7,964**

The principal actuarial assumptions used were as follows:

	31 December 2009	31 December 2008
Discount rate	5.25%	5.85%
Future salary increases	2.75%	2.75%
Future pension increases	2.00%	2.00%
Corridor	10.00%	10.00%

21. Current financial liabilities

Current financial liabilities as at 31 December 2009 are presented below and do not include derivatives instruments:

At 31 December 2009	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	364,688	58,091	232,216	654,995
Trade payables	12,162	16,242	5,076	33,480
Advance payments	11,533	3,519	38,160	53,212
Other current liabilities	34,349	47,214	10,549	92,112
Liabilities held for sale	42,982	8,469	-	51,451
Total	**465,714**	**133,535**	**286,001**	**885,250**

At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	41,124	122,327	146,385	309,836
Trade payables	41,064	9,206	9,247	59,517
Advance payments	5,532	7,684	47,904	61,120
Other current liabilities	10,338	44,879	30,206	85,423
Total	**98,058**	**184,096**	**233,742**	**515,896**

The other current liabilities excluded in this table (as not being part of the IFRS definition of financial instruments) represent tax, payroll and social liabilities for EUR 16.6 million.

The overall increase in financial debts is mainly due to transfers of breached loans (EUR 365.9 million of loans with breach covenants as at 31 December 2009) and EUR 47.9 million bonds which fall due in November 2010. The related amount of accrued interests on loans in breach amounts to EUR 3.2 million.

22. Employee Benefits

	2009.12	2008.12
Salaries	-40,118	-46,029
Social security expenses	-6,668	-6,736
Pension costs	-833	-860
Stock options	-	-
Training charges	-226	-378
Employee benefits	-499	-3,815
Other personnel related charges	-942	-1,524
Total salaries and employee benefits	**-49,286**	**-59,342**

23. Other operating expenses

	31 December 2009	31 December 2008
Leases and rents	-4,640	-6,007
Building maintenance and utilities supplies	-29,863	-32,546
Marketing and representation costs	-6,434	-14,368
Administration costs	-26,938	-30,590
Taxes other than income tax	-6,529	-7,333
Other operating expenses	-1,899	-8,416
Total	**-76,303**	**-99,260**

24. Foreign exchange result

	31 December 2009	31 December 2008
Foreign exchange result from revaluation of investment property	-954	4,046
Other foreign exchange result	5,640	-25,240
Total	**4,686**	**-21,194**

25. Other net financial results

	31 December 2009	31 December 2008
Change in carrying value of liabilities at amortised cost *(1)*	17,972	-
Change in fair value and realised result on derivative instruments *(2)*	-2,241	-24,868
Change in fair value and realised result on other financial assets *(3)*	-43,712	-13,831
Other net finance charges *(4)*	-8,719	-3,140
Total	**-36,700**	**-41,839**

(1) The non eliminated part of one loan granted to the Hospitality joint venture has been valued at amortised cost on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at inception of the equity loan. A gain has been recognised for EUR 18.0 million.

(2) 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.

(3) Change in the fair value of other financial assets essentially relates to financial assets at fair value through profit and loss.

It relates to:

- Investment in Endurance Fund compartments for EUR -19.8 million, of which EUR 2.5 million linked to a liquidity discount applied of 20%.

- The non eliminated part of two loans granted to the Hospitality joint venture has been fair valued on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at closing date. A loss has been recognised for EUR 22.9 million.

(4) Other net finance charges consist primarily of restructuring fees, bank charges, overdrafts, and an impairment (EUR -1.4 million) of loan receivable from Vignette investment.

26. Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes laid by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

	December 2008	Scope Variation	Variation	Other	Change in %	December 2009
Intangible assets	-2,151	-	-1	-	-	-2,152
Tangible assets	-142,093	2,748	50,308	-	114	-88,923
Financial assets	3,072	-502	963	-	-50	3,483
Inventories	-6,540	1,308	11,703	-	-209	6,262
Current assets	-3,930	385	-1,101	-870	-360	-5,876
Equity	-1,277	-	2	-53	34	-1,294
Provisions	-196	-	2,166	-495	-114	1,361
Long term debts	-16,151	863	4,550	-187	-751	-11,676
Current debts	4,422	-	2,078	-45	-37	6,418
Recognized loss carry forward	4,292	-	-9,458	-	80	-5,086
Total deferred taxes	**-160,552**	**4,802**	**61,210**	**-1,650**	**-1,293**	**-97,483**
Deferred tax assets	7,352					3,742
Deferred tax liabilities	-167,904					-101,225

	December 2007	Scope Variation	Variation	Other	Translation differences	Change in %	December 2008
Intangible assets	-2,040	-	115	-84	17	-159	-2,151
Tangible assets	-231,589	5,855	47,008	26,420	936	9,277	-142,093
Financial assets	701	50	1,315	1,076	5	-75	3,072
Inventories	-3,871	34	11,399	-15,324	598	624	-6,540
Current assets	-17	3	-3,019	-584	2	-315	-3,930
Equity	1,441	-	-1,375	-1,308	6	-41	-1,277
Provisions	101	33	-523	193	4	-4	-196
Long term debts	-17,459	118	718	249	86	137	-16,151
Current debts	-	-29	4,517	-38	-5	-23	4,422
Recognized loss carry forward	22,541	-305	-9,684	-8,032	-155	-73	4,292
Total Deferred taxes	**-230,192**	**5,759**	**50,471**	**2,568**	**1,494**	**9,348**	**-160,552**
Deferred tax assets	13,748						7,352
Deferred tax liabilities	-243,940						-167,904

	December 2009	December 2008
Loss before tax	**-364,374**	**-514,413**
Tax calculated at domestic rates applicable to profits in the respective countries	-89,339	-118,729
Tax effects of:		
Untaxed gains or losses	1,569	3,908
Undeductible charges and interests	3,066	11,431
Unrecognised loss carry forward	33,388	60,757
Other income tax	-132	-
Profits with another applicable tax rate	-	1
Remeasurement of deferred tax - change in tax rates	1,292	-7,766
Adjustments from previous years	1,298	-197
Tax benefit	**-48,858**	**-50,595**

- **In 2009**

The income tax rates in the Group vary from 16% in Hungary up to an average of 33.33% in France.

In 2009, the theoretical tax rate is 24.52% (23.08% in 2008) and the effective tax rate of the period is 13.41% (2008: 9.84%). The income tax benefit recognized in the income statement amount to EUR 48.9 million and composed of EUR 8.1 million of current income tax expenses and EUR 57.0 million of deferred income taxes gain arising essentially from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 62.0 million).

Compared to 2008, some changes have been made on the following applicable tax rates, due to new tax legislation:

	Income Tax Rates		Deferred Income Tax rates	
	2009	2008	2009	2008
Croatia	20.00%	20.00%	20.00%	20.00%
Czech Republic	20.00%	21.00%	19.00%	20.00%
France	33.33%	33.33%	33.33%	33.33%
Germany	30.17%	30.17%	30.17%	30.17%
Hungary	16.00%	16.00%	19.00%	16.00%
Luxembourg	30.84%	29.00%	30.84%	29.00%
Poland	19.00%	19.00%	19.00%	19.00%
Russia	20.00%	20.00%	20.00%	20.00%
Slovakia	19.00%	19.00%	19.00%	19.00%

- **In 2008**

The income tax rates in the Group vary from 16% in Hungary up to an average of 33.33% in France.

In 2008, the theoretical tax rate is 23.08% (31.95% in 2007) and the effective tax rate of the period is 9.84% (2007: 2.27%). The income tax benefit recognized in the income statement amount to EUR 51.0 million and composed of EUR 8.9 million of current income tax expenses and EUR 59.9 million of deferred income taxes gain arising from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 62.0 million).

27. Earnings per share

	31 December 2009	31 December 2008
At the beginning of the year	**10,818,000**	**10,687,392**
Shares issued	10,943,866	10,836,794
Treasury shares	-125,866	-149,402
Weighted average movements	**-86,039**	**-115,772**
Issue of new shares	0	63,070
Treasury shares	-86,039	-178,842
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**10,731,961**	**10,571,620**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**10,731,961**	**10,571,620**
Net loss attributable to the Equity holders of the Company	**-250,564**	**-390,560**
Net loss attributable to the Equity holders of the Company after assumed conversions / exercises	**-250,564**	**-390,560**
Basic earnings in EUR per share	-23.35	-36.94
Diluted earnings in EUR per share	-23.35	-36.94

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

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

In December 2009, 833 084 Warrants have been attributed to Management (see note 31 on IAS 24 – Related Parties).

28. Equity holders

Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2007	**10,836,794**	**44,431**	**395,762**
Dividend paid in shares	107,072	439	4,762
Balance at 31 December 2008	**10,943,866**	**44,870**	**400,524**
Balance at 31 December 2009	**10,943,866**	**44,870**	**400,524**

All the shares of the Company are of equal value. Each share is entitled in the profits and corporate capital to a prorate portion of the percentage of the corporate capital it represents, as well as to a voting right and representation at the time of General Meeting, the whole in accordance with statutory and legal provisions.

- **2009**

No movement occurred in 2009 on share capital or share premium.

- **2008**

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

The Board of Directors has been authorised and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 08 July 2013.

A total of EUR 44,869,850.60 has been used to date under this authorisation. As such, the Board of Directors still has a potential of EUR 255,130,150.60 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 62,226,866, new shares may still be created.

During the year, the Group repurchased 67,184 shares for an amount of EUR 4.1 million and sold 116,765 shares for an amount of EUR 1.9 million.

Part of the dividend distributed during the period has been reinvested in capital.

Callable warrants on OPG shares

On 18 February 2008, the Board of Directors has decided to decrease the strike price of the 2014 callable warrants (ISIN code: XS0290764728) from EUR 143.39 to EUR 100.00. As at 31 December 2009, no warrants have been exercised (none in 2008).

Convertible bonds

See note 19.7

Repayable subscription warrants

See notes 19.6, 19.9 and 19.10

Employee stock options

No new stock option plan has been granted in 2009.

On 3 March 2006, a stock option plan was granted to employees under the following conditions:

Exercise price:	EUR 75.6 per share
Exercise period:	from 3 March 2007 until 3 March 2012
Total number of options:	350,000

In accordance with IFRS 2 share-based payments, the total theoretical and non-cash cost of EUR 9.1 million has been estimated and is amortized in the income statement under the Employee benefit caption over the one year vesting period. This fair value was determined using the Black-Scholes valuation model. The significant input into the valuation model were share price of EUR 72.15 at grant date, exercise price as stated above, risk-free interest rate Euribor.

Movements in the number of share options:

	2009		2008	
	Average exercice price in EUR	Number of options	Average exercice price in EUR	Number of options
Outstanding at the beginning of the year	**75.60**	**63,000**	**75.60**	**63,000**
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-3,000	-	-
Outstanding at the end of the year	**75.60**	**60,000**	**75.60**	**63,000**

Dividends per share

The Board of Directors has decided to not propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the year 2009.

The dividends paid in 2008 and 2007 were EUR 14.9 million (EUR 1.40 per share) and EUR 8.6 million (EUR 1.00 per share) respectively.

PACEO

On 12 April 2006, Orco Property Group S.A. and Société Générale in Paris (“SG”) have arranged a new Step-up Equity Subscription. It allows the Group to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 31 December 2006, the Company has issued 450,000 new shares for a total amount of EUR 43.8 million.

In 2007, no shares have been issued under the existing PACEO program. As at 31 December 2007, the program is still open for the issue of 550,000 new shares until 12 April 2008.

On 13 August 2008 the Group has concluded with Société Générale a third PACEO in the overall limit of 2,000,000 new shares over a period of 24 months through the issuance of unlisted share subscription rights (Bon d’Emission d’Actions or BEA). The exercise of each BEA obliges Société Générale to subscribe to one of Orco Property Group’s common shares. As at 31 December 2009, no BEA have been exercised and as a result no new shares have been issued.

29. Contingencies

The Group has given guarantees in the ordinary course of business, more specifically on the residential units delivered. Such guarantees are internally covered by the guarantees granted by the general contractor.

As at the date of publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability.

30. Capital and other commitments

- Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at December 2009, the remaining balances to be called amount to:

  - EUR 13.5 million out of EUR 21.9 million subscribed for the residential sub-fund (EUR 13.5 million in 2008);
  - EUR 3.4 million out of EUR 27.0 million subscribed for the office sub-fund (EUR 4.3 million in 2008);
  - EUR 28.8 million out of EUR 30.0 million subscribed for the office II sub-fund (EUR 28.8 million in 2008).

- As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at December 2009 amount to EUR 0.6 billion (EUR 0.8 billion in 2008). This does not take into account the potential investments in future projects on land bank like Bubny in Prague, Wertheim in Berlin or hotels to be refurbished in Suncani Hvar.

- End of 2007, the Group entered into an agreement for the acquisition of a retail building under construction to be delivered in 2009. This engagement of USD 300 million is covered by an advance payment of USD 25 million. This advance payment recorded in the consolidated financial statements as a long term receivable was fully impaired as at December 2008.

- Bank loans covenants (see note 3.3 and 19.2)
- Other commitments

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

31. Related party transactions

- **Transactions with key management personnel**

(a) Remuneration of key management personnel

The members of the Executive Committee are considered as the key management personnel of Orco Property Group. In 2008 until February 2009 it was made of 20 people. After the restructuring of the group management and the alignment of its structure with the business lines, the Executive Committee has been reduced to six executive managers.

The global consideration given as short term employee benefit to the members of the Executive Committee amounted to EUR 4.5 million as at 31 December 2009 (EUR 6.4 million in 2008), out of which EUR 2.8 million relate to former executive committee members with EUR 0.6 million as severance payment and EUR 0.2 million will only be paid at the termination of the contract of current executive board members.

Beginning of 2008, the Board decided to grant an attendance fee of EUR 5,000 only to non-executive members. End of 2008, the Board decided unanimously to cancel all attendance fees related to the year 2008.

In November 2009, the Board of Directors of the Company decided to modify the remuneration plan for board, committee and general meeting attendances that applies to all Board members except the management who is paid by the Company. According to the remuneration plan, a compensation of €1,000 is granted to each Board member and Committee member for the attendance to all physical Board and Committee meetings. A compensation of €1,500 is granted to the Committee president for the attendance as president to all Committee meetings. €4,500 is granted to compensate the President presiding an ordinary and extraordinary general meeting of shareholders and such compensation is retroactively applied to January 2009. All other compensations are retroactively applied to July 1, 2009 and amount to EUR 50.500 for 2009, including presidency compensations. In respect of the bylaws requiring that each Board member must hold at least one share of the Company, one share has been granted for free to each Board member that was not holding previously the required share.

Based on the Remuneration and related parties committee dated November 17, 2009 and following a decision of Board of Directors of the Company taken on November 18, 2009, the Company attributed in December 2009 an aggregate amount of 833,084 warrants 2014 (ISIN: XS0290764728) issued by the Company ("Company warrants") and an aggregate amount of 1,598,000 warrants (ISIN: XS0302626899) issued by its subsidiary Orco Germany S.A. ("Orco Germany warrants") as an incentive remuneration to the three executive Board Members for a total amount of EUR 990 thousand. This incentive remuneration has been paid to the above mentioned executive Board Members as a result of their commitment and achievements in restructuring OPG through the past year. For the purpose of such attribution, on the basis of external advice, the Board of Directors has taken in consideration 1) the market value of the instruments amounting to EUR 1.22 for the Orco Property Group 2014 warrant; 2) the intrinsic value of the warrants based on the underlying Company stock price as at November 17, 2009 which priced the Orco Property Group 2014 warrant at EUR 1,17 and the Orco Germany warrant at EUR 0,01; and 3) the very low trading liquidity of those instruments. The transaction has been recorded as an expense under employee benefits for a total amount of EUR 3.5 million on the basis of a fair value report prepared by an external consultant pricing Orco Property Group 2014 warrant at EUR 4.21 and Orco Germany warrant at EUR 0.01 at the date of November 18, 2009.

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

The stock options granted to the employees are detailed in note 28.

(b) Loans and advances with key management personnel

On December 4, 2008, the Company has granted a seller's financing of EUR 1.4 million (which is fully impaired as of 31 December 2009 as a result of the termination of the consulting contract with that company) to Vignette Investissements S.A., a French company managed by Keith Lindsay, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company, incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance is granted for a period of 7 years ending on December 31, 2015 and bears an interest rate of 5% per year payable annually.

On 18 July 2007, CJSC MOPT(s)R-MOLCOM, a subsidiary of the Company, has granted a loan RUR 28 million to one of its Director (equivalent EUR 0.7 million as at December 31, 2008 and EUR 0.8 million as at 31 December 2007). Considering the addendum dated 21 January 2009, this loan has a maturity date on 21 January 2012 and bears an interest rate of 10% per year payable at repayment date. The loan of RUR 28 million has been repaid by the Director to CJSC MOPT(s)R-MOLCOM on 20 August 2009.

On 15 May 2008, the Company granted a loan of USD 825,000 to Urso Verde S.A., a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of May 15, 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a forest in Chile in order to launch an 'Endurance forest fund' in conjunction with Orco and the Endurance Fund, which failed due to the current financial context. On 30 April 2009, Urso Verde S.A. pledged 90 660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt (collateralized debt) and the Company exercised its pledge on 15 June 2009. On 28 and 31 August 2009, the Company sold 90,000 of the shares for an aggregate amount of EUR 812,250 (sale proceeds). Pursuant to the Share Pledge Agreement, the shares remaining after Urso Verde S.A.'s debt has been reduced to zero shall be returned unencumbered. Urso Verde S.A, requested return of the surplus EUR 132,298 in the form of shares. The Company has not returned the shares to Urso Verde S.A..

On 22 February 2007, the Company has granted a loan of EUR 216,068 to OTT&CO S.A. (previously Orco Holding). This loan had a maturity date on 1st March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 31 December 2009, this loan (nominal and interests) had not been repaid (the "OPG Receivable").

On 24 March 2010, Urso Verde S.A., OTT & CO S.A. and the Company have agreed to restructure their debts described in the previous two paragraphs. The Company and Urso Verde S.A. agreed, that the Company shall return to Urso Verde S.A. surplus of EUR 132,298 left after sale of the shares in cash instead of returning of the shares, and that this amount shall bear an interest of 9% per year from 1 September 2009 until repayment (the "Urso Verde Receivable"). On 24 March 2010, Urso Verde S.A. assigned the Urso Verde Receivable amounting to a total of EUR 138,985 (EUR 132,298, plus interest of EUR 6,687 as of 24 March, 2010) to OTT&CO S.A. The Company and OTT & CO S.A. agreed to offset the Urso Verde Receivable amounting to EUR 138,985 with the OPG Receivable, amounting to EUR 276,058 (EUR 216,068 principal, plus interest accrued of EUR 59,990) as of 24 March, 2010, leaving EUR 137,073, being the outstanding principal of the OPG Receivable as of this date.

Besides, Orco Charter, a wholly owned subsidiary of OTT&CO S.A., remains creditor of Blue Yachts, a 70% subsidiary of Suncani Hvar, itself a subsidiary of the Company, for an amount of EUR 181,649 as of 31 December, 2009, which has not been reimbursed to date.

On February 16, 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on March 1st, 2008 and with interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 13,333 new shares of Orco Germany S.A.. As at 31 December 2009, this loan has not been repaid yet. The loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis.

Mr Steven Davis also benefited from a loan of CZK 1,520,000 (EUR 56,438) from Orco Project Management sro, a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31st December 2008. The Company has launched legal action to recoup this receivable. This loan has been fully impaired as at 31 December 2009.

(c) Other transactions with key management personnel

On October 2, 2008, a company owned by Jean-François Ott, has transferred to the Company 71,860 exchangeable bonds in Suncani Hvar shares in exchange of 90,720 shares of the Company. The exchangeable value amounted to EUR 1,870,519.

In 2008, apartments built by the Group in the Czech Republic have been sold to one member of the executive committee for a total amount of EUR 0.3 million with an average discount of 6.0% compared to market conditions. The sale of these apartments to the member of the executive committee has been cancelled in 2009 and therefore was never been transacted. In 2009, two real estate assets were sold to two members of the Executive Committee for a total amount of EUR 0.4 million with no discount.

The Company has an investment in NOVY Fund, a related party of one member of the key management personnel . The cost of such investment amounts to EUR 1.4 million as at December 31, 2009 (EUR 1.4 million as at December 31, 2008) and its fair value amounts to EUR 0.3 million as at December 31, 2009 (EUR 0.5 million as at December 31, 2008).

As per a December 2007 transaction, 788,804 Company warrants were received in January 2008 from OTT&CO S.A. as settlement of its debt for an amount of EUR 12,104,863. Those warrants, together with other Group owner Company warrants, have been allocated to the management as per the transaction described in (a).

In February 2008, Orco Germany S.A. took over development projects in Kleinmachnow "Neue Hakeburg" and "Hochwald" by acquiring the majority in the companies Vivaro GmbH & Co. Grundbesitz KG and Vivaro GmbH & Co. Zweite Grundbesitz KG. The development projects have been initiated by members of the Board of Directors of Orco Germany S.A. The acquisition involves a net investment of approx. EUR 2 million on the basis of valuation report prepared by independent expert.

On May 22, 2007, the Board of Directors of Orco Germany S.A. approved the issue of 148,077 five year bonds with 63 redeemable warrants attached to each bond pursuant to the terms and conditions set forth in a prospectus issued on May 24, 2007 (the "Prospectus"). The main features of the bonds and warrants are described in note 20. The Prospectus indicated that the subscribers who did not wish to keep all the warrants which were originally upon issue attached to the bonds may sell their warrants at an average unit price of EUR 1.45 to Central European Real Estate Management S.A., ("CEREM"), a public limited liability company ("société anonyme"), incorporated under the laws of Luxembourg and a wholly-owned subsidiary of the Company. The Prospectus provided that these warrants purchased by CEREM would then be offered at a unit price of EUR 1.45 to less than one hundred managers and business partners of Orco Germany's group. It was also provided in the Prospectus that in the event where all or part of these warrants were not purchased by these designated managers or business partners of Orco Germany's group, the unsold warrants would be repurchased at a price of EUR 1.45 per warrant either by Orco Immobilien GmbH ("Orco Immobilien"), a private limited liability company incorporated under the laws of Germany and an Orco Germany wholly owned subsidiary or by Orco Germany S.A. itself, in order to cancel the repurchased warrants.

On May 30, 2007, 148,077 five year bonds with 63 redeemable warrants attached to each bond were issued and subscribed by investors. Shortly thereafter, in accordance with the terms and conditions of the Prospectus, CEREM purchased from investors 6,219,234 warrants for a total consideration of EUR 9,017,889 and offered to managers and business partners of Orco Germany's group the opportunity to purchase these warrants at a price of EUR 1.45 per warrant based on an allocation proposed following a resolution of the Board of Directors of Orco Germany.

In accordance with the resolution of the Board of Directors of Orco Germany S.A. dated May 22, 2007, 1,260,000 such warrants have been offered for sale at a price of EUR 1.45 per warrant for a total consideration of EUR 1,812,500 to OTT&CO S.A assuming OTT&CO S.A. had agreed to purchase those warrants. However, in 2009, OTT &CO SA confirmed it never agreed to complete the purchase of those warrants. On June 10, 2009, the Board of Directors of CEREM, discussing and voting on the issue in the absence of Mr. Jean-François Ott as provided by law, concluded that, in absence of an agreement to purchase the warrants, there were insufficient legal grounds to execute the transaction. As a result the receivable on OTT&CO S.A. of EUR 1,812,500 has been cancelled in the consolidated financial statements of the Group as of December 31, 2008 and a corresponding amount has been recorded in deduction of the consolidated equity at the same date and the comparative figures for 2007 have been accordingly restated. As at June 30, 2009, the Board of Directors of CEREM was still considering the opportunity to sell the 1,260,000 warrants for a total amount of EUR 1,812,500 to Orco Immobilien GmbH or Orco Germany S.A. in accordance with the terms of the Prospectus. On December 7, 2009, the Board of Directors of CEREM approved the sale of those 1,260,000 warrants to the Company as part of an agreement on transfer of warrants and other rights and obligations which has been signed between CEREM and the Company on December 8, 2009. Those warrants have been allocated to the management as per the transaction described in (a).

- **Transactions with the Endurance Real Estate Fund**

Orco is the sponsor and the fund manager of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Group is the shareholder of the management company of the Fund and has also invested in the three sub-fund's existing as at December 2009 (see note 13). The hospitality sub-fund, which was fully consolidated since December 2007, has been liquidated end of September 2008. As at December 31, 2009, the Group's subscription to the office I, office II and residential sub-funds represent respectively 16.16%, 8.29% and 7.98% of the total subscription respectively (in 2008, 15.73%, 4.57% and 10.60% respectively).

Orco's remuneration from the office and residential sub-funds amounting to EUR 4.2 million in 2009 (EUR 7.6 million in 2008) is linked to:

- the placement fee of a maximum of 2.5% of the committed funds of the investors
- the management fee of 2% per year calculated on the called subscriptions
- acquisition fee of 1% calculated on the value of the assets bought or sold by the fund.

As at December 2009, open invoices for unpaid management fees amounted to EUR 7.2 million (EUR 8.6 million as at December 2008). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 1.2 million revenue (EUR 2.5 million in 2008) and EUR 1.3 million expenses (EUR 1.0 million in 2008). They also resulted as at 31 December 2009 in a net payable of EUR 0.3 million (a net receivable of EUR 0.4 million as at 31 December 2008).

- **Transactions with other related parties**

Beginning of July 2007, Orco has granted a loan of USD 15 million for a term of 6 months and an interest rate of 10% on a yearly basis. This loan has been granted to a company controlled by the management of Molcom. This loan has been repaid fully in December 2008. The purpose of this loan was to facilitate future acquisitions of plots of land in Russia.

In 2007, the Group sold in the form of Future Purchase Contract 24 apartments to a subsidiary of the residential Endurance sub-fund for a total amount of EUR 11.1 million. In 2009, the investment board of the Fund decided to cancel this acquisition and the advance payment of EUR 1.3 million has been registered in the consolidated income statement.

32. List of the fully consolidated subsidiaries

Company	Country	Ccy	Activity	% Shareholding 31.12.2009	% Shareholding 31.12.2008
Sportovní 1, a.s.	Czech Republic	CZK	Development	100%	100%
Ambona Kredit s.r.o. (merged in První Kvintum Praha a.s.)	Czech Republic	CZK	Development	/	100%
Americká 1, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká 33, a.s.	Czech Republic	CZK	Leasing	100%	100%
AMERICKÁ - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká Park, a.s.	Czech Republic	CZK	Leasing	100%	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%	38.88%
BRNO CENTRUM, s.r.o. (merged in MÁCHOVA - ORCO, a.s)	Czech Republic	CZK	Leasing	/	100%
Brno City Center a.s.	Czech Republic	CZK	Development	100%	100%
Bubenska 1 a.s.	Czech Republic	CZK	Leasing	100%	100%
Bubny Development s.r.o.	Czech Republic	CZK	Development	100%	100%
BYTY PODKOVA, a.s.	Czech Republic	CZK	Development	75%	75%
Capellen Invest S.A.	Luxembourg	EUR	Leasing	100%	100%
Central European Real Estate Management S.A. (in Liquidation)	Luxembourg	EUR	Management	100%	100%
Certuv Ostrov, a.s.	Czech Republic	CZK	Development	100%	100%
City Gate s.r.o. (sold in 2009)	Slovakia	EUR	Development	/	100%
CWM 35 Kft.	Hungary	HUF	Leasing	100%	100%
Darilia a.s.	Czech Republic	CZK	Development	100%	/
Development Doupovskà, s.r.o.	Czech Republic	CZK	Development	100%	100%
Diana Property Sp. z.o.o.	Poland	PLN	Extended stay	100%	100%
Domain Sp. z.o.o. (previously Orco Strategy Sp. z.o.o.)	Poland	PLN	Development	/	100%
Endurance Advisory Company S.A.	Luxembourg	EUR	Development	100%	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 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%
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%
Jeremiašova Invest s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Jihovychodni Mesto, a.s.	Czech Republic	CZK	Development	75%	75%
Karousa Enterprises Company Limited	Cyprus	USD	Development	69%	69%
Londýnská 26, a.s.(merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Londýnská 39, s.r.o. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Londýnská 41, s.r.o. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%

Company	Country	Ccy	Activity	% Shareholding 31.12.2009	% Shareholding 31.12.2008
M & Q Sp. z.o.o.	Poland	PLN	Development	100%	100%
MÁCHOVA - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Mánesova 28, a.s. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Meder 36 Projekt Kft.	Hungary	HUF	Leasing	100%	100%
Megaleiar a.s.	Czech Republic	CZK	Development	100%	100%
Mikhailovka o.o.o.	Russia	RUB	Development	100%	100%
Mikhailovka Land o.o.o.	Russia	RUB	Development	100%	100%
MMR Management, s.r.o.	Czech Republic	CZK	Holding	90%	90%
MOLCOM CJSC	Russia	RUB	Leasing	69%	69%
MS-Invest o.o.o.	Russia	RUB	Development	69%	69%
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. (sold in 2009)	Czech Republic	CZK	Development	/	51%
Oak Mill, a.s.	Czech Republic	CZK	Development	100%	100%
Obonjan Rivijera d.d.	Croatia	HRK	Development	50%	50%
Office II Invest S.A.	Luxembourg	EUR	Holding	50.32%	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	EUR	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 Development Kft.	Hungary	HUF	Development	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Development	75%	75%
ORCO Development, s.r.o.	Slovakia	EUR	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	EUR	Development	100%	100%
Orco Financial Services s.r.o.	Czech Republic	CZK	Holding	100%	100%
Orco Hungary Kft.	Hungary	HUF	Leasing	100%	100%
Orco Investment Kft. (sold in 2009)	Hungary	HUF	Leasing	/	100%
ORCO INVESTMENT, a.s.	Czech Republic	CZK	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	Development	100%	100%
Orco Project Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Property Management, a.s. (sold in 2009)	Czech Republic	CZK	Leasing	/	100%

Company	Country	Ccy	Activity	% Shareholding	% Shareholding
				31.12.2009	31.12.2008
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	EUR	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	EUR	Development	100%	100%
Orco Vagyonkezelö Kft.	Hungary	HUF	Development	100%	100%
ORCO Vinohrady, a.s. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Orco Vision Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco-Molcom B.V.	Netherlands	EUR	Development	69%	69%
Orco Molcom o.o.o.	Russia	RUB	Development	69%	69%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Palito, a.s. (merged in Bubny Development s.r.o.)	Czech Republic	CZK	Development	/	100%
Private Security Enterprise "MOLCOM" CJSC	Russia	RUB	Leasing	69%	69%
První Kvintum Praha a.s.	Czech Republic	CZK	Development	100%	100%
RESIDENCE MASARYK, a.s.	Czech Republic	CZK	Leasing	100%	100%
Seattle, s.r.o.	Czech Republic	CZK	Development	100%	100%
Stein, s.r.o.	Slovakia	EUR	Development	100%	100%
SUNČANI HVAR d.d.	Croatia	HRK	Hotel	55.55%	55.55%
Theonia Entreprises Company Ltd	Cyprus	USD	Development	100%	100%
TO Green Europe, a.s.	Czech Republic	CZK	Development	100%	100%
TQE Asset, a.s.	Czech Republic	CZK	Leasing	100%	100%
VINOHRADY S.à r.l.	France	EUR	Holding	100%	100%
Viterra Development Ceska, s.r.o.	Czech Republic	CZK	Development	100%	100%
Viterra Development Polska Sp. z.o.o.	Poland	PLN	Development	100%	100%
Yuli Kft.	Hungary	HUF	Leasing	100%	100%
Záhřebská 35, s.r.o.	Czech Republic	CZK	Leasing	100%	100%

Orco Germany S.A.	**Luxembourg**	**EUR**	**Leasing**	**58.10%**	**56.79%**

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

An den Gärten GmbH	Germany	EUR	Development	100%	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.8%	94.8%
Cybernetyki Business Park Sp. z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	100%
Endurance HC Alpha S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Epsilon S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC FF&E S.à r.l. (formerly Endurance HC Iota S.à r.l.)	Luxembourg	EUR	Development	100%	/
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	100%
GSG 1. Beteiligungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	99.75%	99.75%
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	99.75%
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	94.99%
Lora Grundbesitz GmbH	Germany	EUR	Leasing	100%	100%
Orco Berlin Invest GmbH	Germany	EUR	Development	100%	100%
Orco Erste VV GmbH	Germany	EUR	Development	100%	/
Orco Germany Investment S.A.	Luxembourg	EUR	Holding	100%	100%
Orco-GSG Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Leasing	99.75%	/
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100%	100%
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH	Germany	EUR	Development	100%	100%
Orco Projekt 103 GmbH	Germany	EUR	Leasing	100%	100%
ORCO Projektentwicklung GmbH (previously Viterra Development GmbH)	Germany	EUR	Development	100%	100%
Orco Vermietungs- und Services GmbH	Germany	EUR	Development	100%	100%
Viterra PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH	Germany	EUR	Development	94.8%	94.8%
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%
Stauffenbergstr. Drei GmbH	Germany	EUR	Development	100%	100%
Tucholskystr.39/41 GmbH & Co. Grundbesitz KG	Germany	EUR	Leasing	100%	100%
Viterra Baupartner GmbH	Germany	EUR	Development	100%	100%
Viterra Erste PEG mbH	Germany	EUR	Development	100%	100%
Viterra Zweite PEG mbH	Germany	EUR	Development	100%	100%
Viterra Fünfte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100%	100%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100%	100%
Westendstr. 28 Ffm GmbH	Germany	EUR	Development	94%	94%
TSM Berlin GmbH	Germany	EUR	Leasing	100%	/

33. List of the joint-ventures

33.1 Kosic S.à.r.l.

The Group has a 50% interest in Kosic S.à.r.l., a Luxembourg based holding company which in turn holds 100% of the 3 operational companies. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	-	-
Current assets	983	13
Assets	**983**	**13**
Non-current liabilities	61	-
Current liabilities	510	170
Liabilities	**571**	**170**
Income	285	156
Expenses	-416	-220
Profit after income tax	**-131**	**-64**

33.2 Kosic Development s.r.o.

The Group has a 50% interest in a joint venture, Kosic Development s.r.o., corresponding to the project's phase I in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	3	417
Current assets	912	4,255
Assets	**915**	**4,672**
Non-current liabilities	31	-
Current liabilities	157	122
Liabilities	**188**	**122**
Income	475	1,047
Expenses	-603	-677
Profit after income tax	**-128**	**370**

33.3 SV Faze II s.r.o.

The Group has a 50% interest in a joint venture, SV Faze II s.r.o., corresponding to the project's phase II in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	15	16
Current assets	14,880	9,302
Assets	**14,895**	**9,318**
Non-current liabilities	4,458	347
Current liabilities	4,549	2,947
Liabilities	**9,008**	**3,294**
Income	7,089	83
Expenses	-6,755	-398
Profit after income tax	**334**	**-315**

33.4 Slunecny Vrsek III s.r.o.

The Group has a 50% interest in a joint venture, Slunecny Vrsek III s.r.o, corresponding to the project's phase III in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	68	40
Current assets	2,158	10,082
Assets	**2,226**	**10,122**
Non-current liabilities	-	635
Current liabilities	212	6,827
Liabilities	**212**	**7,462**
Income	3,880	4,085
Expenses	-3,457	-3,812
Profit after income tax	**423**	**273**

33.5 PEG Knorrstrasse 119 GmbH & Co. KG

The Group has a 29.05% interest in a joint venture, PEG Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the Group's 29.05% share (28.40% in 2008) of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	31 December 2009	31 December 2008
Non-current assets	-	-
Current assets	4,238	3,956
Assets	**4,238**	**3,956**
Non-current liabilities	-	-
Current liabilities	4,201	3,898
Liabilities	**4,201**	**3,898**
Income	-	64
Expenses	-23	-106
Profit after income tax	**-23**	**-42**

33.6 Hospitality

In 2007, Endurance Hospitality Assets S.à r.l. and AIG entered into a joint venture agreement by which Hospitality Invest S.à r.l. will be controlled equally by both parties. AIG's initial investment in the joint venture amounted to EUR 50 million.

ORCO has sold its hotel portfolio in Central Europe, with the notable exception of the trophy asset Pachtuv Palace and excluding the Suncani Hvar's stake. The new joint venture is to focus on the hospitality business. Therefore it has been decided to transfer to that joint venture at least the following hotels and residences as well as all the assets and liabilities relating to their management and operations: Riverside, Imperial, Marriott, Sulekova, Pokrovka, Le Regina, Diana, Vienna, Starlight, Residence Belgicka, Izabella and Andrassy.

The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	31 December 2009	31 December 2008
Non-current assets	57,100	64,519
Current assets	5,061	6,292
Assets	**62,161**	**70,811**
Non-current liabilities	44,254	62,653
Current liabilities	4,490	4,623
Liabilities	**48,744**	**67,276**
Income	31,502	21,506
Expenses	-26,201	-38,108
Profit after income tax	**5,302**	**-16,602**

34. Events after balance sheet date

On 10 March 2010, the Paris Commercial Court decided to extend the observation period for the Procedure de Sauvegarde of ORCO Property Group S.A and its subsidiary Vinohrady S.A.R.L. by 3 months until 25 June, 2010.

The Safeguard plan draft has been circulated among creditors at the end of March 2010. The Management expects a judgment on its plan and sauvegarde exit by the end of June 2010.

On 24 March 2010, a group of shareholders holding 10.09% of the ORCO Property Group's shares and voting rights asked the OPG Board of Directors to convene an Extraordinary General assembly before the end of April 2010.

In February 2010, the Helberger asset, located in Frankfurt has been effectively sold for EUR 11 Million. Other assets in Germany have also been sold in first quarter of 2010 but not yet transferred (like Wasserstrasse).

The warrant 2014 general meeting held on 25 March 2010, resolved the followings amendments:

- The warrants, previously exercisable until 28 March 2014 may be exercised up to the close of business on December 31, 2019.
- The terms and conditions of the warrants 2014, amended on 16 December 2009 (see note 19.9), previously applicable till 15 February 2010 have been extended and applicable until 31 December 2010.
- Until 31 December 2010, the warrants 2014 may be paid by remittance of bonds issued by Orco Germany S.A. at their principal amount.

PRICEWATERHOUSECOOPERS

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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, 2009, and the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

PRICEWATERHOUSECOOPERS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Orco Property Group S.A. and its subsidiaries as of December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.1 to the consolidated financial statements which indicates that the Group has substantial outstanding debts service obligation and capital requirements. The Group has experienced significant losses during the year ended December 31, 2009 and the operations of the Group have been significantly affected, and will continue to be affected for the foreseeable future, by the volatility in real estate market. The going concern of the Group is also dependent on the approval by the "Tribunal de Commerce de Paris" of the "Plan de Sauvegarde" and on the success of the financial restructuring of the Group proposed by the management. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In the event that the "Plan de Sauvegarde" is not approved by the "Tribunal de Commerce de Paris" or that the financial restructuring of the Group is not successful, Orco Property Group S.A.'s ability to continue as a going concern would not be assured. The consolidated financial statements would have to be prepared on a break-up basis of accounting having impacts on the valuation and on the classification of assets and liabilities, the amounts of which cannot be measured at present.

Report on other legal and regulatory requirements

The annual management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

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

Luxembourg, April 2, 2010

Marc Minet

ORCO PROPERTY GROUP
SOCIETE ANONYME

ANNUAL ACCOUNTS AND AUDITORS' REPORT

DECEMBER 31, 2009

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

TABLE OF CONTENTS

ORCO PROPERTY GROUP S.A.
BALANCE SHEET
December 31, 2009
(in EUR)

ASSETS	**2009**	**2008**
FIXED ASSETS		
Intangible assets		
Concessions, patents, licences, trade marks (note 3)	37.050,00	-
Tangible assets		
Other fixtures and fittings, tools and equipment (note 3)	291.104,56	561.649,14
Financial assets (note 4)		
Shares in affiliated undertakings	234.940.543,09	350.264.112,25
Loans to affiliated undertakings	271.088.962,64	352.462.038,35
Securities held as fixed assets	10.061.618,37	28.517.353,76
Guarantee deposit and similar	208.085,00	200.000,00
Other loans	-	1.400.000,00
	516.299.209,10	732.843.504,36
	516.627.363,66	733.405.153,50
CURRENT ASSETS		
Debtors (due within one year) (note 5)		
Amounts owed by affiliated undertakings	34.564.252,09	24.803.880,19
Other debtors	1.871.437,98	3.574.582,85
	36.435.690,07	28.378.463,04
Transferable securities (note 6)		
Shares in affiliated undertakings	433.259,49	1.750.105,06
Own shares	58.337,41	814.353,02
Own bonds	-	6.744.513,48
Other transferable securities	337.224,43	483.749,49
	828.821,33	9.792.721,05
Cash at banks and in hand	4.464.324,17	6.051.983,15
	41.728.835,57	44.223.167,24
PREPAYMENTS AND ACCRUED INCOME (note 7)	9.934.789,89	12.577.293,48
TOTAL ASSETS	**568.290.989,12**	**790.205.614,22**

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

ORCO PROPERTY GROUP S.A.
BALANCE SHEET
December 31, 2009
(in EUR)

LIABILITIES	2009	2008
CAPITAL AND RESERVES (note 8)		
Share capital	44.869.850,60	44.869.850,60
Share premium	400.524.345,06	400.524.345,06
Legal reserve	4.106.864,20	4.106.864,20
Other reserves	58.337,41	814.353,02
Profit/(loss) brought forward	(200.134.566,99)	39.619.315,79
Loss for the financial year	(217.681.222,92)	(240.509.898,39)
	31.743.607,36	249.424.830,28
PROVISIONS FOR LIABILITIES AND CHARGES		
Provisions for taxes (note 9)	-	698.855,40
Other provisions (note 10)	4.524.229,78	8.060.589,47
	4.524.229,78	8.759.444,87
CREDITORS		
Due and payable within one year		
Non-convertible bonds (note 11)	61.608.331,73	11.139.992,57
Amounts owed to affiliated undertakings	4.529.241,84	42.949.988,93
Other creditors (note 12)	22.318.626,12	9.153.885,21
	88.456.199,69	63.243.866,71
Due and payable after more than one year		
Amounts owed to affiliated undertakings	53.823.596,04	41.144.597,69
Convertible bonds (note 11)	203.820.634,08	195.545.793,33
Non-convertible bonds (note 11)	185.922.722,17	232.087.081,34
	443.566.952,29	468.777.472,36
TOTAL LIABILITIES	**568.290.989,12**	**790.205.614,22**

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, 2009
(in EUR)

CHARGES	2009	2008
Other external charges	11.944.502,92	7.761.363,67
Staff costs (note 14)		
Wages and salaries	1.158.532,46	623.681,48
Social security costs	74.609,15	43.620,35
Value adjustments in respect of tangible and intangible fixed assets (note 13)	230.076,04	72.235,78
Value adjustments in respect of current assets	-	500.000,00
Value adjustments in respect of financial fixed assets and of transferable securities held as current assets (note 13)	199.529.000,28	224.116.537,07
Interest payable and similar charges		
Affiliated undertakings	4.554.489,60	3.491.809,96
Other interest payable and charges (note 15)	29.847.600,93	60.678.872,82
Realised loss on tangible and financial assets (note 21)	16.636.884,28	-
Realised loss on transferable securities (note 22)	19.126.021,09	13.184.240,68
Other taxes (note 9)	48.931,00	509.221,00
	283.150.647,75	**310.981.582,81**

INCOME	2009	2008
Net turnover (note 16)	1.611.967,86	526.536,81
Value adjustments release in respect of current assets	225.000,00	-
Income from participating interests		
Affiliated undertakings (note 17)	18.341.678,53	24.185.887,52
Income from transferable securities and from loans forming part of financial fixed assets (note 18)		
Affiliated undertakings	39.263.611,37	33.144.128,80
Other	900.559,01	1.883.597,25
Other interest receivable and similar income		
Affiliated undertakings	5.126.608,06	5.349.212,50
Realised gains on tangible and financial assets (note 21)	-	5.382.321,54
Loss for the financial year	217.681.222,92	240.509.898,39
	283.150.647,75	**310.981.582,81**

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

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 and 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 2009 results

In the year ended December 31, 2009, the Company made a loss of EUR 217,7 million out of which EUR 199,5 million for lower valuation due to the financial crisis and EUR 16.6 million for net realised loss on sales of tangible and financials assets.

2.1.3 “Procédure de Sauvegarde”

Beginning of 2009, Orco Property Group’s Board of Directors decided to apply for the Company to benefit from a Court Protection from creditors (“Procédure de Sauvegarde”). A Court Hearing was held on 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 S.A., the Group’s parent company, and Vinohrady S.à r.l., a French subsidiary, for a renewable six months period. Since then, the initial period has been prolonged twice with last period end in June 2010. By the end of March 2010 a Plan de Sauvegarde will be circulated to all the Company’s creditors and submitted for approval before the end of the Procédure de Sauvegarde to the Court. The Board of Directors and the management are confident that the plan prepared forms a sustainable business plan allowing the Company to repay the bonds and other debts over the coming ten years.

During the Sauvegarde period, all the liabilities prior to the judgement pronouncement are frozen. This means that, except for a Court decision to early terminate the Sauvegarde which is seen by the management and the Board of Directors as extremely unlikely, interests on debts and bonds continue to be accrued based on contractual arrangements but the Company is exempted to repay any liabilities until the end of the Sauvegarde.

2.1.4 Restructuring plan implemented by management

The Sauvegarde procedure has provided 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.
- adapted and lighter cost-structure
- lowered pressure on the short term liquidity by the restructuring of its bond and bank debts
- preserved potential of the development pipeline.

Faced with liquidity issues that may put at risk the integrity and value of its portfolio, the management team has been implementing the first phase of a restructuring plan focused on cash generation and preservation for the Company. Therefore, the necessary actions aiming at returning 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 operating expenses and investments),etc.

Many progresses have been made in the restructuring plan of the Group under the protection of the Safeguard procedure opened on March 25, 2009:

- A calendar has been set with the circularization of the Plan de Sauvegarde proposing a term out over ten years of all the Company debt to be submitted for approval before the end of the Procédure de Sauvegarde to the Court.

- In its restructuring plan the Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring can't be achieved in the short or medium term. Some of these assets or activities have already been sold as at June 2009 and particularly the property management activities, the residential Project Fehrbelliner Hofe in Berlin and the residential project City Gate in Bratislava.

- The restructuring of the operations and teams has already led to significant operating expenses decrease compared to 2008. The cost reduction plan already generates improvements with the sum of employee benefits and the other operating expenses decreasing. The decrease would have been sharper without all the legal and consulting costs specific to the Safeguard procedure amounting to EUR 3 million.

- The management is currently discussing with all its joint venture and investment partners in order to restore the liquidity of its loans granted to these joint ventures by having them repaid either in cash or converted in equity. In particular, some achievements with agreements finalized can already be reported :

    - An agreement has been finalized with our Hospitality joint venture partner whereby EUR 20 million out of Orco Property Group S.A EUR 46 million shareholder loan will be restructured once all conditions are met. Our partner will inject EUR 10 million in cash in Hospitality Invest for partial repayment to the Company, while EUR 10 million of shareholder loan will be converted into equity in the joint venture leaving both partners at a 50% shareholding.

- An agreement has been reached on the conversion of its EUR 17,6 million shareholder loan in Orco Germany S.A. into equity. This operation is made possible thanks to an agreement signed by ORCO Germany S.A., MSREF V Turtle B.V. (an investment vehicle managed by Morgan Stanley currently holding 28.91% of ORCO Germany S.A.) and the Company on August 26, 2009. Once all conditions precedents are met, the loan will be converted into 10,991,750 ORCO Germany S.A. new shares at an issue price of EUR 1.60 per share where December 2009 net asset value stood at €1.73, increasing the Group control from 58.10% to a 65% stake in its subsidiary.

- The cash flow forecast that was established with the support of Grant Thornton in order to demonstrate the Company's ability to implement a recovery plan with the objective to finance its cash needs has proven to be conservative compared to the actual cash flows. This was mainly achieved as a result of the lower operating costs and the Group's ability to continue deliver residential projects and respond to the market demand that has not disappeared (the market depth has been notably very different from one city to another over the last months).

Furthermore solutions where the equity of the 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 approval of the "Plan de Sauvegarde" by the "Tribunal de Commerce de Paris", the successful achievement of an operating and financing restructuring plan and the disposal plan of non strategic assets, the nature and impact of which cannot be measured at this stage.

The financial performance of the Company is also dependent upon the wider economic environment in which the Group operates. The uncertainly of the evolution of real estate market in Central Europe could damage the Group's activity and slow down the asset sales program. It should be noted that this environment has generally been stabilized over the last months of 2009.

2.1.6 Conclusion

Upon the information made available, the Directors estimate that a rescheduling of its debt is highly probable within the safeguard framework, that residential sales and selective asset sales will continue. The renegociation of certain debts and the sale of some assets are essential to the realization of the recovery plan. Should the Company not be able to implement those, the going concern would not be assured. Thus, the 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:

1. the current circumstances present uncertainties that cast some doubt on the Company's ability to continue as a going concern
2. considering the expected outcome of the safeguard period and restructuring program, and after making appropriate enquiries, there is a reasonable expectation that the 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 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.

NOTE 3 - INTANGIBLE AND TANGIBLE ASSETS

	Intangible assets EUR	Tangible assets EUR
Acquisition price, beginning of year	-	621.535,27
Additions for the year	37.050,00	-
Disposals for the year	-	(106.153,36)
Acquisition price, end of year	37.050,00	515.381,91
Accumulated depreciation, beginning of year	-	(59.886,13)
Depreciation for the year	-	(230.076,04)
Reversals for the year	-	65.684,82
Accumulated depreciation, end of year	-	(224.277,35)
Net value, end of year	**37.050,00**	**291.104,56**

The software booked in accounts 2008 (and fully depreciated) has been replaced by a new software during the year.

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	Loans to affiliated undertakings	Securities held as fixed assets	Guarantee deposit and similar	Other loans	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Gross book value, at the beginning 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**
Additions for the year	63.968.231,90	65.365.919,47	911.424,00	8.085,00	-	130.253.660,37
Disposals for the year	(23.376.992,27)	(106.973.264,48)	-	-	-	(130.350.256,75)
Gross book value, at the end of the year	**495.565.326,14**	**404.699.157,09**	**32.018.177,64**	**208.085,00**	**1.400.000,00**	**933.890.745,87**
Value adjustments at the beginning of the year	**(104.709.974,26)**	**(90.885.368,00)**	**(2.589.399,88)**	-	-	**(198.184.742,14)**
Depreciation for the year	(219.052.091,69)	(76.344.417,48)	(19.367.159,39)	-	(1.400.000,00)	(316.163.668,56)
Reversal	63.137.282,90	33.619.591,03	-	-	-	96.756.873,93
Value adjustments at the end of the year	**(260.624.783,05)**	**(133.610.194,45)**	**(21.956.559,27)**	-	**(1.400.000,00)**	**(417.591.536,77)**
Net book value, at the end of the year	**234.940.543,09**	**271.088.962,64**	**10.061.618,37**	**208.085,00**	**0,00**	**516.299.209,10**

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, 2009 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, 2009 are value adjusted to the highest amount between zero and the net assets of each concerned affiliated undertaking as at December 31, 2009.

Loans and related adjustments are detailed as follows:

Company	Country	Loan	Impairment on Loan	Net Loan	Accrued Interest	Impairment on accrued interest	Net accrued interest	Net Receivable
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
1.Sportovni,a.s.	Czech Republic	6 639 374	-4 896 455	1 742 919	549 093	-	549 093	**2 292 012**
Ambiance Beaute Sarl	Belgium	3 950	-3 950	-		-	-	**-**
Americká - Orco, a.s	Czech Republic	184 808	-	184 808	3 777	-	3 777	**188 585**
Americka 1,a.s.	Czech Republic	378 122	-	378 122	145 064	-	145 064	**523 186**
Americka 33,a.s.	Czech Republic	60 053	-	60 053	1 854	-	1 854	**61 907**
Americka Park, a.s.	Czech Republic	915 803	-	915 803	81 305	-	81 305	**997 107**
Anglicka 26, s.r.o.	Czech Republic	-	-	-	11 064	-	11 064	**11 064**
Ariah Kft	Hungary	5 396 150	-5 396 150	-	428 069	-428 069	-	**-**
BCC - Brno City Center, a.s.	Czech Republic	4 376 350	-	4 376 350	446 970	-	446 970	**4 823 321**
Belgicka-Na Kozacce,s.r.o.	Czech Republic	482 551	-	482 551	94 464	-	94 464	**577 015**
Bubny development, s.r.o.	Czech Republic	24 547 285	-	24 547 285	1 788 218	-	1 788 218	**26 335 503**
Capellen Invest s.a.	Luxembourg	6 583 527	-2 721 759	3 861 768	533 716	-	533 716	**4 395 484**
CEREM SA	Luxembourg	40 856 518	-31 536 725	9 319 793	2 456 162	-	2 456 162	**11 775 955**
Certuv ostrov a.s.	Czech Republic	8 386 627	-8 386 627	-	965 382	-965 382	-	**-**
Darilla, a.s.	Czech Republic	49 121	-49 121	-	991	-	991	**991**
Development Doupovská, s.r.o.	Czech Republic	1 031 464	-	1 031 464	81 288	-	81 288	**1 112 752**
Diana Property, Sp. z o.o.	Poland	75 641	-	75 641	3 168	-	3 168	**78 810**
Diana Property, Sp. z o.o.	Poland	762 255	-	762 255	10 551	-	10 551	**772 805**
Endurance Hospitality Asset	Luxembourg	96 651	-96 651	-	7 732	-7 732	-	**-**
Endurance Hospitality Finance, s.à.r.l.	Luxembourg	37 018 753	-	37 018 753	-	-	-	**37 018 753**
Endurance Real Estate Management Company,s.a.	Luxembourg	3 880 000	-	3 880 000	100 609	-	100 609	**3 980 609**
Hagibor Office Building, a.s.	Czech Republic	1 623 916	-	1 623 916	1 726 650	-	1 726 650	**3 350 566**
IPB Real,s.r.o.	Czech Republic	2 174 167	-1 074 316	1 099 851	161 793	-	161 793	**1 261 644**
Jihovychodni Mesto,a.s.	Czech Republic	8 486 871	-	8 486 871	657 522	-	657 522	**9 144 392**
M & O Sp z.o.o.	Poland	2 008 209	-15 121	1 993 088	161 342	-	161 342	**2 154 430**
Machova-Orco, a.s.	Czech Republic	-	-	-	51 098	-51 098	-	**-**
Meder 36 Kft	Hungary	1 113 049	-1 113 049	-	88 023	-88 023	-	**-**
Megaleiar A.S.	Czech Republic	646 491	-	646 491	44 769	-	44 769	**691 260**
Mikhailovka Land o.o.o.	Russia	3 471	-	3 471	-	-	-	**3 471**
MMR Management, s.r.o.	Czech Republic	85 408	-	85 408	7 269	-	7 269	**92 678**
MMR Russia sàrl	Luxembourg	39 614 671	-1 473 079	38 141 592	7 392 568	-	7 392 568	**45 534 160**
MMR Yougoslavia	Yougoslavia	22 994	-22 994	-	-	-	-	**-**
Na Poříčí, a.s.	Czech Republic	3 516 360	-	3 516 360	890 988	-	890 988	**4 407 348**
Nupaky a.s.	Czech Republic	4 024 315	-	4 024 315	330 589	-	330 589	**4 354 905**
Office II Invest, s.a.	Luxembourg	932 095	-326 827	605 268	-	-	-	**605 268**
Onset a.s.	Czech Republic	2 449 942	-1 174 248	1 275 694	186 570	-	186 570	**1 462 264**
Orco Estate,s.r.o.	Czech Republic	1 028 370	-	1 028 370	76 975	-	76 975	**1 105 345**
Orco Financial Services, s.r.o.	Czech Republic	170 414	-170 414	-	15 813	-15 813	-	**-**
Orco Investment,a.s.	Czech Republic	1 582 553	-	1 582 553	145 886	-	145 886	**1 728 438**
Orco Praga, s.r.o.	Czech Republic	5 163 627	-2 748 663	2 414 964	423 682	-	423 682	**2 838 646**
Orco Prague,a.s.	Czech Republic	1 364 140	-	1 364 140	278 057	-	278 057	**1 642 197**
Orco Adriatic d.o.o.	Croatia	2 547 219	-1 402 132	1 145 087	114 939	-	114 939	**1 260 026**
Orco Blumentálska, a.s.	Slovakia	11 868 978	-11 868 978	-	945 691	-945 691	-	**-**
Orco Bucharest	Romania	2 511	-2 511	-	-	-	-	**-**
Orco Budapest Zrt.	Hungary	5 247 620	-5 247 620	-	354 968	-354 968	-	**-**
Orco Commercial Sp. z o.o.	Poland	6 169 809	-1 060 412	5 109 397	486 080	-	486 080	**5 595 477**
Orco Construction Sp. z o.o.	Poland	4 759 117	-4 070 562	688 555	382 028	-	382 028	**1 070 583**
Orco Development Kft	Hungary	9 430	-9 430	-	1 179	-1 179	-	**-**
Orco Development Sp. z o.o.	Poland	3 066 627	-3 066 627	-	239 716	-239 716	-	**-**

Company	Country	Loan	Impairment on Loan	Net Loan	Accrued Interest	Impairment on accrued interest	Net accrued interest	Net Receivable
		EUR	EUR	EUR	EUR	EUR	EUR	EUR
ORCO Development, s.r.o.	Slovakia	5 665 414	-	5 665 414	448 064	-	448 064	**6 113 478**
Orco Enterprise Sp. z.o.o.	Poland	5 910 804	-1 764 320	4 146 484	417 469	-	417 469	**4 563 953**
Orco Estate Sp.z.o.o.	Poland	1 663 741	-1 663 741	-	133 075	-133 075	-	**-**
ORCO Estates, s.r.o.	Slovakia	10 924 282	-9 300 565	1 623 717	848 463	-	848 463	**2 472 180**
Orco Germany s.a.	Luxembourg	17 038 130	-	17 038 130	1 341 199	-	1 341 199	**18 379 329**
Orco Logistic Sp. Z.o.o.	Poland	6 278 518	-4 692 527	1 585 991	505 453	-	505 453	**2 091 444**
Orco Pokrovka Management o.o.o.	Russia	486	-486	-	-	-	-	**-**
Orco Poland Sp. z o.o.	Poland	2 241 529	-1 724 044	517 485	129 718	-	129 718	**647 203**
Orco Property Sp. z o.o.	Poland	14 219 698	-	14 219 698	1 232 232	-	1 232 232	**15 451 929**
Orco Razvoj, d.o.o.	Croatia	1 012 215	-547 360	464 855	80 977	-	80 977	**545 832**
Orco Residence, s.r.o.	Slovakia	1 402 987	-1 402 987	-	112 239	-112 239	-	**-**
Orco Residential Sp. z o.o.	Poland	7 067 257	-	7 067 257	543 774	-	543 774	**7 611 031**
Orco Russian Retail, SA	Luxembourg	16 754 027	-16 754 027	-	1 334 550	-1 334 550	-	**-**
ORCO Slovakia, s.r.o.	Slovakia	463 330	-366 937	96 393	26 831	-	26 831	**123 224**
Orco Vagyonkezelő, Kft.	Hungary	916 975	-	916 975	66 427	-	66 427	**983 401**
Orco-Molcom B.V.	Netherlands	3 073 673	-	3 073 673	303 737	-	303 737	**3 377 411**
Orco-Molcom B.V.	Netherlands	30 432 080	-	30 432 080	3 074 705	-	3 074 705	**33 506 785**
Pachtuv Palac s.r.o.	Czech Republic	5 685 527	-3 160 119	2 525 408	408 301	-	408 301	**2 933 709**
Palito, a.s.	Czech Republic	129 547	-89 039	40 508	5 332	-	5 332	**45 840**
Prvni Kvintum Praha a.s.	Czech Republic	701 738	-	701 738	43 510	-	43 510	**745 247**
Residence Masaryk, a.s.	Czech Republic	6 762 480	-2 358 443	4 404 037	655 264	-	655 264	**5 059 301**
Suncani HVAR, d.d.	Croatia	8 544 410	-	8 544 410	1 326 946	-	1 326 946	**9 871 356**
Theonia Entreprises Company Ltd	Cyprus	2 990	-	2 990		-	-	**2 990**
TQE Asset, a.s.	Czech Republic	282 407	-	282 407	1 294 663	-	1 294 663	**1 577 071**
Vinohrady s.a.r.l.	France	534 635	-	534 635	51 375	-	51 375	**586 010**
Viterra Cescka spol. S.r.o.	Czech Republic	1 851 179	-1 851 179	-	215 177	-215 177	-	**-**
Yuli Kft	Hungary	3 731 723	-	3 731 723	115 262	-	115 262	**3 846 985**
		404 699 157	**-133 610 194**	**271 088 963**	**37 588 413**	**-4 892 712**	**32 695 701**	**303 784 664**

Securities held as fixed assets

The Company holds 3.151.874,96 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 32.018.177,64, detailed as follows:

	Number of units	Estimated NAV as at 31/12/2009	Acquisition cost	Value adjustments	Carrying value
		EUR	EUR	EUR	EUR
Office sub-fund	2.251.819,38	3,69	23.585.017,00	(15.280.307,13)	8.304.709,87
Residential sub-fund	900.055,582	1,95	8.433.160,64	(6.676.252,14)	1.756.908,50
			32.018.177,64	**(21.956.559,27)**	**10.061.618,37**

Estimated NAV as at December 31, 2009, is based on published NAV as at September, 2009, on which a discount of 20% is applied.

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 and other various guarantee deposits for EUR 8.085,00.

Other loans

On December 4, 2008, the Company has granted a seller's financing of EUR 1.4 million (which is fully impaired as of 31 December 2009 as a result of the termination of the consulting contract with that company) to Vignette Investissements S.A., a French company managed by Keith Lindsay, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company, incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance is granted for a period of 7 years ending on December 31, 2015 and bears an interest rate of 5% per year payable annually.

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, 2009. Therefore, all shares in affiliated undertakings with their net equity significantly lower than their acquisition cost as at December 31, 2009, are value adjusted to the highest amount between zero and the net equity of each concerned affiliated undertaking as at December 31, 2009.

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.

Participations are detailed as follows:

Company	Country	Local currency	% held	Acquisition cost 31/12/2009 '000 EUR	Acquisition cost 31/12/2008 '000 EUR	Purchased / Acquired in 2009 '000 EUR	Sold / Liquidated in 2009 '000 EUR	Value adjustment in prior years '000 EUR	Value adjustment in 2009 '000 EUR	Net book value in 2009 '000 EUR
1.Sportovni,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)	(489,69)	691,08
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	-	-	-	(1.329,07)	548,50
Anglicka 26,s.r.o.	Czech Republic	CZK	100%	5.005,25	308,05	4.697,20	-	-	(3.272,93)	1.732,32
Ariah Kft	Hungary	HUF	100%	3.189,74	3.189,74	-	-	-	(3.189,74)	-
BCC - Brno City Center, a.s.	Czech Republic	CZK	100%	9.755,80	8.491,44	1.264,36	-	-	(1.619,34)	8.136,46
Belgicka-Na Kozacce,s.r.o.	Czech Republic	CZK	100%	1.206,49	1.206,49	-	-	-	(276,35)	930,14
Beta Development, s.r.o.	Czech Republic	CZK	100%	25,81	7,11	18,70	-	(7,11)	(18,70)	-
Bubenska 1 a.s.	Czech Republic	CZK	100%	987,21	987.21	-	-	-	-	987,21
Brno Centrum,s.r.o.	Czech Republic	CZK	-	-	831,59	-	(831,59)	-	-	-
Bubny development, s.r.o.	Czech Republic	CZK	99,92%	21.261,47	21.261,47	-	-	-	(4.495,82)	16.765,65
Capellen Invest, s.a.	Luxembourg	EUR	100%	2.182,64	2.182.64	-	-	(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	94,68%	4.668,19	70,48	4.597,71	-	(70,48)	(4.597,71)	-
City Gate, s.r.o.	Slovakia	SKK	-	-	8.695,05	-	(8.695,05)	(1.414,49)	1.414,49	-
CWM 35 Kft	Hungary	HUF	100%	21.116,10	21.116,10	-	-	(6.576,95)	(5.610,65)	8.928,50
Development Doupovská, s.r.o.	Czech Republic	CZK	100%	2.391,82	2.391,82	-	-	-	(1.663,57)	728,25
Diana Property sp zoo	Poland	PLN	100%	776,65	776,65	-	-	-	-	776,65
Endurance Hospitality Asset, sàrl	Luxembourg	EUR	88,10%	11,01	11,01	-	-	(11,01)	-	-
Endurance Hospitality Finance, sàrl	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)	-
Hagibor Office Building, a.s. (ex Orco Reality a.s.)	Czech Republic	CZK	100%	22.287,27	65,05	22.222,22	-	(65,05)	(19.867,88)	2.354,34

Company	Country	Local currency	% held	Acquisition cost 31/12/2009 '000 EUR	Acquisition cost 31/12/2008 '000 EUR	Purchased / Acquired in 2009 '000 EUR	Sold / Liquidated in 2009 '000 EUR	Value adjustment in prior years '000 EUR	Value adjustment in 2009 '000 EUR	Net book value in 2009 '000 EUR
IPB Real Reality as	Czech Republic	CZK	100%	10,59	10,59	-	-	(3,59)	3,59	10,59
IPB Real sro	Czech Republic	CZK	100%	500,48	500,48	-	-	(500,48)	-	-
Jeremiášova Invest s.r.o.	Czech Republic	CZK	100%	2.321,50	2.321,50	-	-	(1.026,49)	(216,50)	1.078,51
Jihovychodni Mesto as	Czech Republic	CZK	74,99%	25.637,86	25.637,86	-	-	-	(20.364,56)	5.273,30
Kosic s.à r.l.	Luxembourg	EUR	50%	9.758,50	10.297,50	-	(539,00)	(572,88)	(3.156,51)	6.029,11
Londynska 26,a.s.	Czech Republic	CZK	-	-	232,92	-	(232,92)	-	-	-
Londynska 39,s.r.o.	Czech Republic	CZK	-	-	1.139,53	-	(1.139,53)	(1.007,97)	1.007,97	-
Londynska 41,s.r.o.	Czech Republic	CZK	-	-	359,57	-	(359,57)	-	-	-
M&O SP Zoo	Poland	PLN	100%	307,19	307,19	-	-	-	(307,19)	-
Machova-Orco,a.s.	Czech Republic	CZK	100%	2.847,27	1.176,66	1.670,61	-	(1.176,66)	(1.670,61)	-
Manesova 28,a.s.	Czech Republic	CZK	-	-	2.626,76	-	(2.626,76)	(1.256,71)	1.256,71	-
Meder 36 Kft	Hungary	HUF	100%	1.858,88	1.858,88	-	-	(1.858,88)	-	-
Megaleiar as	Czech Republic	CZK	100%	1.256,64	1.256,64	-	-	(312,28)	(376,72)	567,64
MMR Management, s.r.o.	Czech Republic	CZK	90%	5,67	5,67	-	-	-	-	5,67
N W D C Company spol. s r.o.	Czech Republic	CZK	-	-	599,29	-	(599,29)	-	-	-
Na Porící, a.s. (ex. Orco Development a.s.)	Czech Republic	CZK	100%	12.441,94	3.585,55	8.856,39	-	(2.500,93)	(5.635,52)	4.305,49
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	-	-	-	(5.222,51)	783,10
Nupaky a.s.	Czech Republic	CZK	100%	2.356,08	2.107,78	248,3	-	-	(2.316,24)	39,84
Oak Mill,a.s.	Czech Republic	CZK	99.99%	1.385,26	1.385,26	-	-	(593,63)	167,27	958,90
Office II Invest sa	Luxembourg	EUR	50,32%	15,60	15,60	-	-	(15,60)	-	-
Onset a.s.	Czech Republic	CZK	100%	2.671,73	2.671,73	-	-	(120,29)	(2.551,44)	-
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	99,99%	3.050,38	3.050,38	-	-	(351,77)	(2.698,61)	-
Orco Russian Retail S.A. (ex: Orco Capitol, 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)	-

Company	Country	Local currency	% held	Acquisition cost 31/12/2009 '000 EUR	Acquisition cost 31/12/2008 '000 EUR	Purchased / Acquired in 2009 '000 EUR	Sold / Liquidated in 2009 '000 EUR	Value adjustment in prior years '000 EUR	Value adjustment in 2009 '000 EUR	Net book value in 2009 '000 EUR
Orco Construction Sp. z o.o.	Poland	PLN	75%	1.549,49	1.549,49	-	-	-	(1.549,49)	-
ORCO Development Kft.	Hungary	HUF	100%	70,18	70,18	-	-	(66,99)	(3,19)	-
ORCO Development Slovakia	Slovakia	SKK	100%	1.000,79	1.000,79	-	-	-	-	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	737,28	-	-	(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	700,11	-	-	-	(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%	89,76	35,44	54,32	-	-	(89,76)	-
Orco Germany s.a.	Luxembourg	EUR	56.79%	97.515,11	97.515,11	-	-	(7.055,61)	(34.635,83)	55.823,67
ORCO Hungary Kft.	Hungary	HUF	100%	583,45	583,45	-	-	(388,64)	(12,01)	182,80
Energia Jeden Sp. Z o.o. (ex: Orco Idea Sp.z.o.o.)	Poland	PLN	100%	13,08	13,08	-	-	-	(13,08)	-
ORCO Investment Kft.	Hungary	HUF	14,95%	1.213,97	8.120,22	-	(6.906,25)	(8.045,15)	7.581,18	750,00
ORCO INVESTMENT,a.s.	Czech Republic	CZK	100%	1.651,09	1.651,09	-	-	-	(1.068,81)	582,28
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	74,99%	933,18	933,18	-	-	-	(933,18)	-
Orco Prague,a.s.	Czech Republic	CZK	100%	5.097,08	5.097,08	-	-	(2.849,87)	-	2.247,21
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	2.979,86	-	-	-	(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	-	-	121,46	-	(121,46)	(121,46)	121,46	-
Orco Property Sp. z o.o.	Poland	PLN	75%	3.597,16	3.597,16	-	-	-	-	3.597,16

Company	Country	Local currency	% held	Acquisition cost 31/12/2009 '000 EUR	Acquisition cost 31/12/2008 '000 EUR	Purchased / Acquired in 2009 '000 EUR	Sold / Liquidated in 2009 '000 EUR	Value adjustment in prior years '000 EUR	Value adjustment in 2009 '000 EUR	Net book value in 2009 '000 EUR
Orco Razvoj, 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	-	-	-	(671,63)	649,97
Orco Slovakia	Slovakia	SKK	100%	4,97	4,97	-	-	-	(4,97)	-
Domain Sp. z o. o. (ex: Orco Strategy Sp. z o.o.)	Poland	PLN	-	-	99,38	-	(99,38)	(99,38)	99,38	-
Orco Vagyonkezelo Kft	Hungary	HUF	100%	1.001,90	1.001,90	-	-	(256,36)	(624,29)	121,25
Orco Vinohrady,a.s.	Czech Republic	CZK	-	-	338,42	-	(338,42)	-	-	-
Development Vision Sp. z o. o. (ex: Orco Vision Sp.z.o.o.)	Poland	PLN	100%	13,08	13,08	-	-	-	(13,08)	-
Orco Yu (ex: Orco Yougoslavia)	Serbia	CSD	-	-	5,00	-	(5,00)	-	-	-
Orco Property doo	Croatia	HRK	100%	2,80	2,80	-	-	-	(2,80)	-
Orco-Molcom B.V. (ex: Astolfin B.V.)	Netherlands	EUR	69%	51.408,61	51.408,61	-	-	(51.408,61)	51.408,61	51.408,61
Pachtův Palác s.r.o.	Czech Republic	CZK	100%	7.424,41	7.424,41	-	-	(6.872,74)	(551,67)	-
První Kvintum Praha a.s.	Czech Republic	CZK	90%	2.760,22	2.760,22	-	-	-	(2.277,12)	483,10
Residence Masaryk, a.s.	Czech Republic	CZK	100%	2.708,38	1.558,96	1.149,42	-	-	(2.708,38)	-
Seattle,s.r.o.	Czech Republic	CZK	100%	1.261,42	1.261,42	-	-	(26,07)	(650,87)	584,48
Suncani HVAR	Croatia	HRK	55,55%	82.190,51	82.190,51	-	-	-	(54.308,90)	27.881,61
Theonia Entreprises company ltd	Cyprus	USD	100%	13.930,64	13.930,64	-	-	-	(5.874,86)	8.055,78
T-O Green Europe a.s.	Czech Republic	CZK	100%	21,43	904,19	-	(882,76)	-	(3,84)	17,59
TQE Asset, a.s.	Czech Republic	CZK	99,2%	17.541,38	300,00	17.241,38	-	(300,00)	(15.902,24)	1.339,14
Vinohrady s.à r.l. (ex ORCO Paris)	France	EUR	100%	7,62	7,62	-	-	-	-	7,62
Viterra Česká, s.r.o.	Czech Republic	CZK	100%	4.636,63	2.689,00	1.947,63	-	(2.689,00)	(1.947,63)	-
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
Zahrebska 35,s.r.o.	Czech Republic	CZK	100%	286,30	286,30	-	-	(137,00)	76,63	225,93
				495.565,33	**454.974,09**	**63.968,23**	**(23.376,99)**	**(104.709,97)**	**(155.914,81)**	**234.940,54**

NOTE 5 – DEBTORS

Debtors can be detailed as follows:

	2009	2008
Receivable from Endurance Fund or its subsidiaries	102.978,17	449.487,30
Amounts owed by affiliated undertakings	34.564.252,09	24.803.880,19
Loans granted to third parties	225.600,00	530.888,03
Loans granted to management (note 20)	277.800,00	277.800,00
Interests receivable	209.823,44	37.414,44
VAT receivable	20.415,78	555.132,43
Other debtors	1.034.820,59	1.723.860,65
	36.435.690,07	**28.378.463,04**

NOTE 6 - TRANSFERABLE SECURITIES

	Own shares	Own bonds	Orco Germany shares and warrants	Other securities	Total
	EUR	EUR	EUR	EUR	EUR
Gross book value, at the beginning of the year	11.187.851,70	20.668.289,72	5.432.044,76	1.401.370,79	38.689.556,97
Additions for the year	-	1.129.405,46	249.247,50	-	1.378.652,96
Disposals for the year	(10.378.891,07)	(21.797.695,18)	-	-	(32.176.586,25)
Gross book value, at the end of the year	**808.960,63**	**-**	**5.681.292,26**	**1.401.370,79**	**7.891.623,68**
Value adjustment, at the beginning of the year	(10.373.498,68)	(14.340.729,16)	(3.681.939,70)	(917.621,30)	(29.313.788,84)
Depreciation for the year	-	-	(1.566.093,07)	(146.525,06)	(1.712.618,13)
Reversal for the year	9.622.875,46	14.340.729,16	-	-	23.963.604,62
Value adjustment, at the end of the year	**(750.623,22)**	**-**	**(5.248.032,77)**	**(1.064.146,36)**	**(7.062.802,35)**
Accrued interest, at the end of the year	-	-	-	-	-
Net book value, at the end of the year	**58.337,41**	**-**	**433.259,49**	**337.224,43**	**828.821,33**

As at December 31, 2009, the valuation of the transferable securities on the basis of the latest available market price amounts to EUR 828.821,33. Own shares and Orco Germany shares and warrants classified as transferable securities are securities held for trading.

During the year 2009, a share pledge agreement was signed between the company and Urso Verde S.A. to secure the debt linked to the loan granted in 2008 by the company to Urso Verde S.A.. As agreed by both parties, 90.660 shares of Orco Property Group S.A. were transferred by Urso Verde S.A. to secure the total debt amounting to EUR 679.951,59 from which 90,000 shares were finally sold by the Company to reimburse the debt. As at December 31, 2009, 660 own shares to be transferred back to Urso Verde S.A. were still held on company's portfolio with no book value.

On September 23, 2009, as agreed by signed agreements the Company has sold all its own bonds to a company subsidiary, Central European Real Estate Management S.A. (8.533 OBSAR2 and 225.081 Exchangeable bonds in Suncani Hvar Shares, see note 11). As at December 31, 2009, some of this own bonds were still held on company's bank portfolios but were not booked anymore on transferable securities but considered as transferable to new owner, Central European Real Estate Management S.A..

NOTE 7 - PREPAYMENTS AND ACCRUED INCOME

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

	2009 EUR	2008 EUR
Gross amount at the beginning of the year	18.782.770,00	18.782.770,00
Increase for the year	-	-
Decrease for the year	-	-
Gross amount at the end of the year	18.782.770,00	18.782.770,00
Amortization at the beginning of the year	(6.205.476,52)	(3.321.052,99)
Amortization of bond's premium for the year[1]	(735.237,25)	(710.731,03)
Amortization of issuing fees for the year[1]	(1.907.266,34)	(2.173.692,50)
Amortization at the end of the year	(8.847.980,11)	(6.205.476,52)
Net amount at the end of the year	**9.934.789,89**	**12.577.293,48**

[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 EUR	Share premium EUR	Legal reserve EUR	Own shares reserve EUR	Profit brought forward EUR
Balance at 01.01.2009	**44.869.850,60**	**400.524.345,06**	**4.106.864,20**	**814.353,02**	**39.619.315,79**
Capital increases	-	-	-	-	-
Appropriation of 2008 loss	-	-	-	-	(240.509.898,39)
- Dividend	-	-	-	-	
- Legal reserve	-	-	-	-	
- Other reserves	-	-	-	(756.015,61)	756.015,61
Balance at 31.12.2009	**44.869.850,60**	**400.524.345,06**	**4.106.864,20**	**58.337,41**	**(200.134.566,99)**

As at December 31, 2009, the subscribed and fully paid-up capital of EUR 44.869.850,60 (2008: EUR 44.869.850,60) is represented by 10.943.866 shares (2008: EUR 10.943.866) with a par value of EUR 4,10 per share.

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 sold 116,765 shares for an amount of EUR 675.921,21.

Callable warrants on OPG shares

On 18 February 2008, the Board of Directors has decided to decrease the strike price of the 2014 callable warrants (ISIN code: XS0290764728) from EUR 143.39 to EUR 100.00. As at 31 December 2009, no warrants have been exercised (none in 2008).

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 Company to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 31 December 2006, the Company has issued 450,000 new shares for a total amount of EUR 43.8 million.

In 2007, no shares have been issued under the existing PACEO program. As at 31 December 2007, the program is still open for the issue of 550,000 new shares until 12 April 2008.

On 13 August 2008 the Group has concluded with Société Générale a third PACEO in the overall limit of 2,000,000 new shares over a period of 24 months through the issuance of unlisted share subscription rights (Bon d'Emission d'Actions or BEA). The exercise of each BEA obliges Société Générale to subscribe to one of Orco Property Group's common shares. As at December 31, 2009, 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.

NOTE 9 - PROVISIONS FOR TAXES AND OTHER TAXES

Since February 12, 2009 and an internal note deciding the delocalization of the management of the Company, the central administration of the Company is exercised from France. From a Luxembourg tax perspective, the migration of the central administration has triggered the following tax consequences:

- The tax residence of the Company is located in France since February 12, 2009 (“Transfer Date”) based on the double tax treaty concluded between France and Luxembourg (“the Treaty”) ;
- Due to the fact that the Company keeps accounting and legal teams in Luxembourg, the Company has a Luxembourg permanent establishment according to article 2.3. of the Treaty ;
- The transfer of the central administration leads to an allocation of the assets and liabilities of the Company between the Luxembourg permanent establishment and the French central administration ;
- The assets and liabilities allocated to the French head office are valued at their market value as of the Transfer Date.

The tax treatment deriving from the above-mentioned facts was confirmed with the Luxembourg tax authorities on July 29, 2009 and December 15, 2009.

Based on the above, from a Luxembourg tax compliance perspective, two periods have been considered:

- From January 1, 2009 to February 12, 2009; and
- From February 13, 2009 to December 31, 2009.

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

As at December 31, 2009, Orco Property Group S.A. as consolidated fiscal entity in Luxembourg 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 4.460.329,78 (2008: EUR 7.560.589,47) are included in “Other provisions”.

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	13.640.000	(2.439.552,46)
				(2.439.552,46)

The Company also entered into interest rate swaps detailed hereafter:

Maturity date	Currency	Amount	Floating interest rate to receive	Fixed rate	Market Value (EUR)
30/09/2011	EUR	4.235.897,51	0,706	4,08	(195.383,76)
07/10/2011	EUR	2.968.524,00	0,746	3,91	(151.124,92)
07/10/2011	EUR	12.537.405,41	0,746	3,91	(638.268,19)
07/10/2011	EUR	15.000.000,00	0,746	3,91	(763.636,70)
07/10/2011	EUR	5.350.000,00	0,746	3,91	(272.363,75)
					(2.020.777,32)

NOTE 11 - BONDS

As at December 31, 2009 and 2008, bonds are detailed as follows:

	Interest rate %	Maturity	Amount EUR	
2009				
Convertible bonds				
928.513	5,5	2012	24.169.193,39	(1)
1.086.956	1	2013	179.651.440,69	(4)
			203.820.634,08	
Non convertible bonds				
30	6MPribor+2,2%	2011	11.335.726,43	(3)
73.273	4,5	2010	50.272.605,30	(2)
119.544	2,5	2014	185.922.722,17	(5)
			247.531.053,90	
			451.351.687,98	
2008				
Convertible bonds				
928.513	5,5	2012	24.169.193,39	(1)
1.086.956	1	2013	171.376.599,94	(4)
			195.545.793,33	
Non convertible bond				
30	6MPribor+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)
			243.227.073,91	
			438.772.867,24	

(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 2009, 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 of the Company and 3 new BSAR 2014 (ISIN code: XS0290764728). The prospectus of the exchange offer on the 2012 callable warrants of the Company was approved by the Commission de Surveillance du Secteur Financier (CSSF) on 22 October 2007. The offer closed on 16 November 2007 with 1,077,934 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 shares for one 2014 callable warrant exercised at EUR 146.39 in 2014. Refer to note 11(5) for amendments on BSAR 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 Company 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

(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

The prospectus related to the Czech Bond has been approved on 26 January 2006 by the Securities Commission of the Czech Republic (the "Czech Bond Prospectus"). There are 2 Czech Rating Agencies (the "CRA") ratings outstanding at the date of the issuance of the Czech Bonds: "czP-2" for the long term international CRA rating and "czA-" for the long term local CRA rating. Furthermore the Czech Bond Prospectus states that if CRA withdraws the above-mentioned ratings, the Company shall ask a well-known rating agency in the Czech Republic to issue a rating within 6 months. If CRA or any other rating agency issues a long-term international CRA rating below "investment grade i.e. Baa-" or a long term local CRA rating below "investment grade i.e. czBaa-", any investor in the Czech Bonds may call for the reimbursement of its bonds. The reimbursement would then be due on the last business day of the month following the month of the reimbursement request. On the Company's initiative, Moody's International has issued two ratings: "B2" and "Baa3cz". Since its complete integration within Moody's, CRA cannot issue international ratings any more, but merely local ratings. However, the scale established by CRA in the Czech Bond Prospectus, setting the minimum threshold to "investment grade" for international rating does not fit with the Moody's "investment grade" level. Hence, there is a comparability technical default in relation to the Czech Bonds.

No new bonds have been issued in 2009.

Based on requests for early redemption received from individual holders following the downgrade of rating by Moody's, the Company has reimbursed, in 2008, 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 in 2008.

Out of the 30 remaining bonds, reimbursement requests have been received for 27 bonds in 2009.

The bond is converted into Euro at year-end rate which leads to an unrealised loss of EUR 769.726,43.

(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-maturiy 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, 2009, 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, 2009 amounts to EUR 28.272.372,55.

(5) Bonds with repayable subscription warrants ("OBSAR 2").

Refer to note 11(2) on the OBSAR 1 concerning the exchange offer relative to the 2012 callable warrants.

On December 16, 2009, a general meeting of the holders of warrants 2014 was held and approved the following changes proposed by the Company to permit the exchange of warrants for shares and/or redemption of the bonds by the company prior to 2014:

Amendments applicable until February 15, 2010
Each warrant 2014 shall entitle the holder to acquire 8.7 existing shares and/or subscribe to 8.7 new shares at the exercise price of EUR 60.9 to be paid in cash.
The Company may redeem by tranches outstanding Warrants 2014 at any time until February 15, 2010 at a unit price of EUR 0.01 subject to the following conditions:

- the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR 87 for the first tranche being one third of outstanding warrants; EUR 130.5 for the second tranche being half of outstanding warrants; and EUR 174 for the remaining outstanding warrants.

Amendments applicable after February 16, 2010

Each warrant 2014 shall entitle the holder to acquire 1.6 existing share and/or subscribe to 1.6 new share at the exercise price of EUR 11.2 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time as from February 16, 2010 at a unit price of EUR 0.01 subject to the following conditions:

- the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR 16 for the first tranche being one third of outstanding warrants; EUR 24 for the second tranche being half of outstanding warrants; and EUR 32 for the remaining outstanding warrants.

The resolution was approved by 95.11% of warrant holders (out of which 91.7% were represented by key management personnel) present with over 50% of warrant holders present or represented.

Bonds

Issuer	Orco Property Group S.A.
Nominal	EUR 175,000,461.60
Number of bonds	119,544
Nominal value per bond	EUR 1,463.90
Issue price per bond	EUR 1,421.45
Redemption	28 March 2014
Redemption price	117.5% of par at EUR 1,720.08, i.e. a gross yield-to-maturity of 7.383%.
Nominal interest rate	2.5%
ISIN	XS0291838992 / XS0291840626
Listing	Euronext - Brussels

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, 2009 amounts to EUR 19.702.521,35.

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 (before amendments)
Exercise price	EUR 146.39 (before amendments)
Exercise period	until 28 March 2014
Early repayment	From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceeding period of 30 consecutive dealing days exceeds EUR 190.31.
ISIN	XS0290764728
Listing	Euronext - Brussels Euronext - Paris

NOTE 12 - OTHER CREDITORS

	2009 EUR	2008 EUR
Amounts due related to acquisitions of equity participations	2.070.364.75	2.584.114,14
Accrued interests on bonds	14.529.980,38	5.425.982,36
Payable to Endurance Fund or its subsidiaries	447.429,86	-
Bank overdrafts	5.166,88	-
Other creditors	5.265.684,25	1.143.788,71
	22.318.626,12	**9.153.885,21**

As at December 31, 2009, 2,1 MEUR (2,8 MUSD) was due for the acquisition of Theonia Entreprises Company Ltd's equity shares.

As at December 31, 2009, Other creditors were detailed as follows:

- External suppliers invoices: 1.7 MEUR ;
- Debt for realised FX Forward: 1.3 MEUR ;
- Accrued expenses: 0.8 MEUR ;
- Tax autorities: 1.3 MEUR ;
- Various: 0.2 MEUR

NOTE 13 - VALUE ADJUSTMENTS IN RESPECT OF FINANCIAL FIXED ASSETS AND OF TRANSFERABLE SECURITIES HELD AS CURRENT ASSETS

	2009 EUR	2008 EUR
Value adjustments on shares in affiliated undertakings (note 4)	155.914.808,79	104.354.939,00
Value adjustments on loans to affiliated undertakings (note 4)	42.724.826,45	90.885.368,00
Value adjustments on accrued interest from loans to affiliated undertakings (note 4)	2.373.192,14	2.519.520,00
Value adjustments on financial fixed assets (note 4)	20.767.159,39	1.454.171,91
Value adjustments on transferable securities net of release (note 6)	(22.250.986,49)	24.902.538,16
	199.529.000,28	**224.116.537,07**

Value adjustments increases and decreases are detailed in note 4 and note 6.

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 22.407.236,12 (2008: EUR 37.503.783,13), the amortization of bond's premium and issuing fees of bonds for EUR 2.642.503,59 (2008: EUR 2.884.423,53) and realized and unrealized losses on foreign exchange for EUR 3.773.158,25 (2008: EUR 20.224.683,99).

NOTE 16 - NET TURNOVER

The net turnover of the Company is made of fees linked to services rendered to the subsidiaries of the Company.

NOTE 17 - INCOME FROM PARTICIPATING INTEREST IN AFFILIATED UNDERTAKINGS

Income and expenses from participating interest in affiliated undertakings are detailed by company as follows:

Company	**Country**	**2009 EUR**	**2008 EUR**
Americká - Orco, a.s	Czech Republic	287 219,36	73 948,52
Americká 33, a.s.	Czech Republic	5 357 373,51	16 694 525,30
Anglická 26, s.r.o.	Czech Republic	129 778,81	71 933,79
BBC - Brno City Center, a.s.	Czech Republic	-	162 795,56
Brno Centrum, s.r.o.	Czech Republic	227 513,45	366 520,19
Endurance Real Estate Management Co., s.a.	Luxembourg	6 000 000,00	-
Jeremiášova Invest s.r.o.	Czech Republic	50 550,08	958 066,53
Kosic, s.à r.l.	Luxembourg	2 466 000,00	-
Londýnská 26, a.s.	Czech Republic	951 605,49	84 578,36
Londýnská 41, s.r.o.	Czech Republic	212 229,31	413 951,29
Mánesova 28, a.s.	Czech Republic	118 833,82	100 946,33
MMR Management, s.r.o.	Czech Republic	-	418 497,59
Nad Petruskou, s.r.o.	Czech Republic	410 588,78	-
Nové Medlánky, a.s.	Czech Republic	1 466 416,45	-
Orco Development Sp. z o.o.	Poland	-	222 227,66
Orco Estate, s.r.o.	Czech Republic	-	266 108,96
Orco Financial Services, s.r.o.	Czech Republic	-	193 093,78
Orco Project, Sp. z o.o.	Poland	285 184,66	-
Orco Slovakia, s.r.o.	Slovakia	9 874,13	-
Residence Belgická, s.r.o.	Czech Republic	-	60 846,36
Seattle, s.r.o.	Czech Republic	314 498,62	755 847,21
T-O Green Europe, a.s.	Czech Republic	54 012,06	28 993,48
Viterra Česká, s.r.o.	Czech Republic	-	45 851,89
Viterra Development Polska sp.z.o.o.	Poland	-	3 267 154,72
		18 341 678,53	**24 185 887,52**

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

Income from affiliated undertakings EUR: 39.263.611,37 (2008: EUR 33.144.128,80) is composed of interest on loans granted to subsidiaries (see note 4).

Other income is detailed as follows:

	2009 EUR	**2008 EUR**
Interest on bonds held as fixed assets	-	100.638,32
Interest on bonds held as transferable securities	465.355,51	749.285,61
Interest on other securities	-	31.478,55
Interest from loans forming part of financial fixed assets	70.000,00	
Dividends from transferable securities	16.50	727.555,80
Gain realised on sales of other securities	365.187,00	274.638,97
	900.559,01	**1.883.597,25**

NOTE 19 - GUARANTEES AND COMMITMENTS

Stock-options:

As of December 31, 2009, the non exercised stock options plans granted to employees or directors are summarized as follows:

	2009		2008	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
Outstanding at the beginning of the year	75,60	63.000	75.60	63.000
Cancelled	-	(3.000)	-	-
Outstanding at the end of the year	75,60	60.000	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 2009.

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

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 two existing sub-funds. As at December 2009, the remaining balances to be called amount to:

- EUR 13.5 million out of EUR 21.9 million subscribed for the residential sub-fund (EUR 13.5 million in 2008);
- EUR 3.4 million out of EUR 27.0 million subscribed for the office sub-fund (EUR 4.3 million in 2008).

NOTE 20 - REMUNERATION AND LOANS GRANTED TO DIRECTORS

The remunerations paid to the Directors in that capacity for the year 2009 amount to KEUR 449 (2008: KEUR 193) and are included as staff costs in the profit and loss account.

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

As at December 31, 2009, total loans due by management to the company amount to KEUR 278 (2008: KEUR 278). No new loans were granted during the year 2009.

NOTE 21 - REALISED GAIN / (LOSS) ON TANGIBLE AND FINANCIAL FIXED ASSETS

	2009 EUR	2008 EUR
Loss realised on sales of equity participations	(16.506.065,62)	14.877.724,47
Loss due to the liquidation of equity participations.	(302.829,58)	(6.814.497,37)
Loss on tangible fixed assets	(40.467,54)	(57.877,43)
Loss on sales of securities held as fixed assets	-	(689.903,21)
Gain / (Loss) on liquidations of equity investments	212.478,46	(1.933.124,92)
	(16.636.884,28)	**5.382.321,54**

Loss realised on sales of equity participations,
and due to liquidation of equity participations are detailed as follows:

For the year 2009:

Company	**Country**	**Net result on sales of equity participations**				**Profit/(Loss) due to the liquidation of equity participations**
		Net Booked Value of participations	Proceeds from Sales of participations	Proceeds from sales of equity loans	**Net Result**	
Orco Property Management, a.s.	Czech Republic	-121 461,32	1 451 695,83	-718 427,00	**611 807,51**	-
N W D C Company spol., s.r.o.	Czech Republic	-599 291,76	402 389,83	-	**-196 901,93**	-
Orco Yu	Serbia	-	-	-	**-**	-96 480,00
Orco Investment, Kft.	Hungary	-6 906 249,23	4 584 000,00	-5 539 315,20	**-7 861 564,43**	-
Domain Sp. z o.o.	Poland	-	-	-	**-**	-206 349,58
City Gate, s.r.o.	Slovakia	-8 695 051,99	100 000,00	-464 354,78	**-9 059 406,77**	-
		-16 322 054,30	**6 538 085,66**	**-6 722 096,98**	**-16 506 065,62**	**-302 829,58**

For the year 2008:

Company	Country	Net result on sales of equity participations			Profit due to the liquidation of equity participations
		Net Booked Value of participations	Proceeds from Sales of participations and loans	Net Result	
And 70 Kft	Hungary	-	662,00	**662,00**	-
Diana Development Sp. Z o.o.	Poland	-2 580 964,19	3 091 019,00	**510 054,81**	-
Etoile d'or s.a.	Luxembourg	-523 998,56	1 099 785,91	**575 787,35**	-
Izabella 62-64 Kft.	Hungary	-4 052 868,26	2 440 188,93	**-1 612 679,33**	-
Jihovýchodní Město, a.s.	Czech Republic	-8 550 513,25	7 675 700,00	**-874 813,25**	-
Luxembourg Plaza, a.s.	Czech Republic	-7 010 659,35	21 640 002,59	**14 629 343,24**	-
MMR Management, s.r.o.	Czech Republic	-629,84	1 400 000,00	**1 399 370,16**	-
OPG Russia Sarl	Luxembourg	-	-	**-**	-56 392,04
Orco Praga, s.r.o.	Czech Republic	-	-140 769,00	**-140 769,00**	-
Orco Construction Sp. z o.o.	Poland	-	-712 555,00	**-712 555,00**	-
ORCO Croatia s.a.	Luxembourg	-	-	**-**	612 311,02
Orco Development Sp. z o.o.	Poland	-	-159 806,00	**-159 806,00**	-
Orco Hotel Development Sp. z o.o.	Poland	-2 910,00	297 670,00	**294 760,00**	-
Orco Property Sp. z o.o.	Poland	-	-1 697 463,00	**-1 697 463,00**	-
Paneli Estates, s.r.o.	Czech Republic	-10 420,59	10 421,00	**0,41**	-
Residence Belgická, s.r.o.	Czech Republic	-1 234 785,44	3 745 701,00	**2 510 915,56**	-
Révay 10 Kft.	Hungary	-872 953,03	1 027 869,55	**154 916,52**	-
Salinoko Ltd	Cyprus	-	-	**-**	-7 370 416,35
		-24 840 702,51	**39 718 426,98**	**14 877 724,47**	**-6 814 497,37**

NOTE 22 - REALISED LOSS ON TRANSFERABLE SECURITIES

	2009 EUR	2008 EUR
Loss realised on sales of own shares	9.702.969,86	6.193.313,25
Loss realised on sales of other transferable securities	9.423.051,23	6.990.927,43
	19.126.021,09	**13.184.240,68**

In 2009, the Company has not proceeded to any new repurchase of own shares (2008: 67.184 shares for a total amount of EUR 4.093.741,22) but has proceeded to the subsequent sale of 116.765 shares (2008: 90.720) for a total amount of EUR 675.921,21 (2008: EUR 1.870.515,80), generating a net realised loss on sales amounting to EUR 9.702.969,86 (2008: loss of EUR 6.193.313,25).

On 31st December 2009, the Company has 9.101 own shares for which the net book value is EUR 58.337,41 (see note 6).

NOTE 23 – RELATED PARTY TRANSACTIONS

- **Transactions with key management personnel**

(a) Remuneration of key management personnel

Beginning of 2008, the Board decided to grant an attendance fee of EUR 5,000 only to non-executive members. End of 2008, the Board decided unanimously to cancel all attendance fees related to the year 2008.

In November 2009, the Board of Directors of the Company decided to modify the remuneration plan for board, committee and general meeting attendances that applies to all Board members except the management who is paid by the Company. According to the remuneration plan, a compensation of €1,000 is granted to each Board member and Committee member for the attendance to all physical Board and Committee meetings. A compensation of €1,500 is granted to the Committee president for the attendance as president to all Committee meetings. €4,500 is granted to compensate the President presiding an ordinary and extraordinary general meeting of shareholders and such compensation is retroactively applied to January 2009. All other compensations are retroactively applied to July 1, 2009 and amount to EUR 50.500 for 2009, including presidency compensations. In respect of the bylaws requiring that each Board member must hold at least one share of the Company, one share has been granted for free to each Board member that was not holding previously the required share.

Based on the Remuneration and related parties committee dated November 17, 2009 and following a decision of Board of Directors of the Company taken on November 18, 2009, the Company attributed in December 2009 an aggregate amount of 833,084 warrants 2014 (ISIN: XS0290764728) issued by the Company (“Company warrants”) and an aggregate amount of 1,598,000 warrants (ISIN: XS0302626899) issued by its subsidiary Orco Germany S.A. (“Orco Germany warrants”) as an incentive remuneration to the three executive Board Members for a total amount of EUR 990 thousand. This incentive remuneration has been paid to the above mentioned executive Board Members as a result of their commitment and achievements in restructuring OPG through the past year. For the purpose of such attribution, on the basis of external advice, the Board of Directors has taken in consideration

1) the market value of the instruments amounting to EUR 1.22 for the Orco Property Group 2014 warrant;
2) the intrinsic value of the warrants based on the underlying Company stock price as at November 17, 2009 which priced the Orco Property Group 2014 warrant at €1,17 and the Orco Germany warrant at €0,01; and
3) the very low trading liquidity of those instruments.

A fair value report done by an external consultant was later conducted and priced Orco Property Group 2014 warrant at €4.21 and Orco Germany warrant at €0.01 at the date of November 18, 2009.

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

The stock options granted to the employees are detailed in note 19.

(b) Loans and advances with key management personnel

On December 4, 2008, the Company has granted a seller's financing of EUR 1.4 million (which is fully impaired as of December 31, 2009 as a result of the termination of the consulting contract with that company) to Vignette Investissements S.A., a French company managed by Keith Lindsay, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company, incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance is granted for a period of 7 years ending on December 31, 2015 and bears an interest rate of 5% per year payable annually.

On May 15, 2008, the Company granted a loan of 825,000 USD to Urso Verde S.A., a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of May 15, 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a 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, Urso Verde S.A. pledged 90 660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt (collateralized debt) and the Company exercised its pledge on June 15, 2009. On August 28 and 31, 2009, the Company sold 90,000 of the shares for an aggregate amount of EUR 812,250 (sale proceeds). Pursuant to the Share Pledge Agreement, the shares remaining after Urso Verde S.A.'s debt has been reduced to zero shall be returned unencumbered. Urso Verde S.A, requested return of the surplus EUR 132,298 in the form of shares. The Company has not returned the shares to Urso Verde S.A..

On 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 1st March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 31 December 2009, this loan (nominal and interests) had not been repaid (the "OPG Receivable").

On March 24, 2010, Urso Verde S.A., OTT & CO S.A. and the Company have agreed to restructure their debts described in the previous two paragraphs. The Company and Urso Verde S.A. agreed, that the Company shall return to Urso Verde S.A. surplus of EUR 132,298 left after sale of the shares in cash instead of returning of the shares, and that this amount shall bear an interest of 9% per year from September 1, 2009 until repayment (the "Urso Verde Receivable"). On 24 March, 2010, Urso Verde S.A. assigned the Urso Verde Receivable amounting to total of EUR 138,985 (EUR 132,298, plus interest of EUR 6,687 as of 24 March, 2010) to OTT&CO S.A. The Company and OTT & CO S.A. agreed to offset the Urso Verde Receivable amounting to EUR 138,985 with the OPG Receivable, amounting to EUR 276.058 (EUR 216,068 principal, plus interest accrued of EUR 59,990) as of March 24, 2010, leaving EUR 137,073, being the outstanding principal of the OPG Receivable as of this date.

On February 16, 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on March 1st, 2008 and with interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 13,333 new shares of Orco Germany S.A.. As at 31 December 2009, this loan has not been repaid yet. The loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis.

(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.

The Company has an investment in NOVY Fund. The cost of such investment amounts to EUR 1.4 million as at December 31, 2009 (EUR 1.4 million as at December 31, 2008) and its fair value amounts to EUR 0.3 million as at December 31, 2009 (EUR 0.5 million as at December 31, 2008).

As per a December 2007 transaction, 788,804 Company warrants were received in January 2008 from OTT&CO S.A. as settlement of its debt for an amount of EUR 12,104,863. Those warrants, together with other Group owner Company warrants, have been allocated to the management as per the transaction described in (a).

- **Transactions with the Endurance Real Estate Fund**

The Company 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 Company is the shareholder of the management company of the Fund and has also invested in two of the three sub-fund’s existing as at December 2009 (see note 4). As at December 31, 2009, the Company’s subscription to the office I and residential sub-funds represent respectively 16.16% and 7.98% of the total subscription respectively (in 2008, 15.73% and 10.60% respectively).

NOTE 24 - SUBSEQUENT EVENTS

On February 17, 2010, OPG France S.A.S. was incorporated under French law. The Company is its sole shareholder.

On March 10, 2010, the Paris Commercial Court decided to extend the observation period for the “Procedure de Sauvegarde” of ORCO Property Group S.A. by 3 months until June 25, 2010.
The Safeguard plan draft has been circulated among creditors at the end of March 2010. The Management expects a judgment on its plan and “sauvegarde” exit by the end of June 2010.

On March 24, 2010, a group of shareholders holding 10.09% of the ORCO Property Group's shares and voting rights asked the OPG Board of Directors to convene an Extraordinary General assembly before the end of April 2010.

The warrant 2014 general meeting held on March 25, 2010, resolved the followings amendments:

- The warrants, previously exercisable until March 28, 2014, may be exercised up to the close of business on December 31, 2019.
- The terms and conditions of the warrants 2014, amended on December 16, 2009 (see note 11(5)), previously applicable till February 15, 2010, have been extended and applicable until December 31, 2010.
- Until December 31, 2010, the warrants 2014 may be paid by remittance of bonds issued by Orco Germany S.A. at their principal amount.

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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, 2009 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, 2009, 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 2.1 to the annual accounts which indicates that the Company has substantial outstanding debts service obligation and capital requirements. The Company has experienced significant losses during the year ended December 31, 2009 and the operations of the Company have been significantly affected, and will continue to be affected for the foreseeable future, by the volatility in real estate market. The going concern of the Company is also dependent on the approval by the "Tribunal de Commerce de Paris" of the "Plan de Sauvegarde" and on the success of the financial restructuring of the Company proposed by the management. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

In the event that the "Plan de Sauvegarde" is not approved by the "Tribunal de Commerce de Paris" or that the financial restructuring of the Company is 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, April 2, 2010

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

Marc Minet

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

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