2009 Management Report

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

2009 AnnualManagement Report
2nd April 2010

2009 Management Report

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.

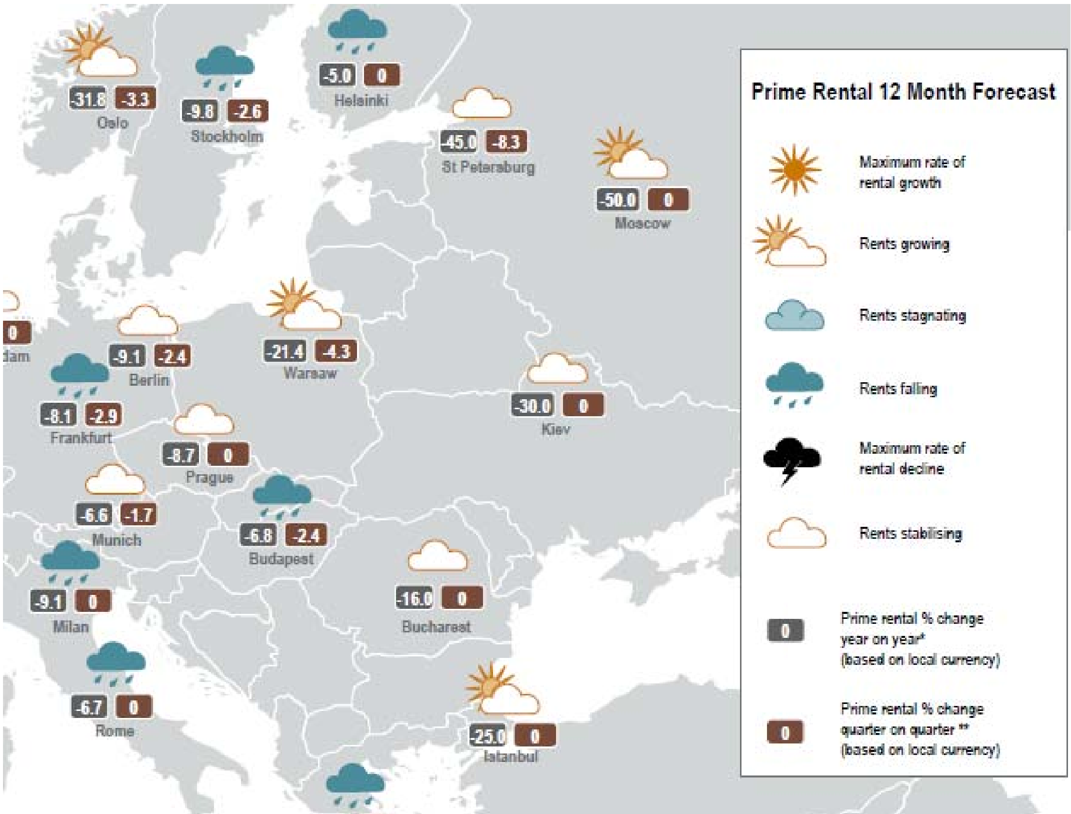
- **Slower absorption and rental growth with remaining catch-up potential**

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

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

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

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

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

ORCO PROPERTY GROUP

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

<u>Repayment Schedule of Bond 2013</u>

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:

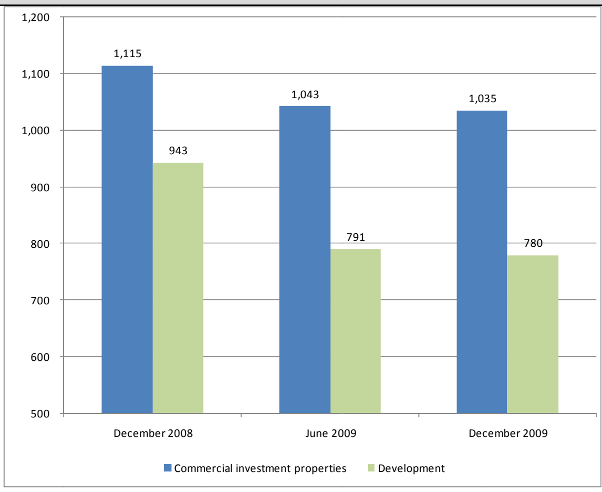
- **Commercial Investment Properties:** covers all real estate assets operated (as hotels and logistic parks) and rented out or that will be so without any major refurbishment.

- **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.

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

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.

2009 Management Report

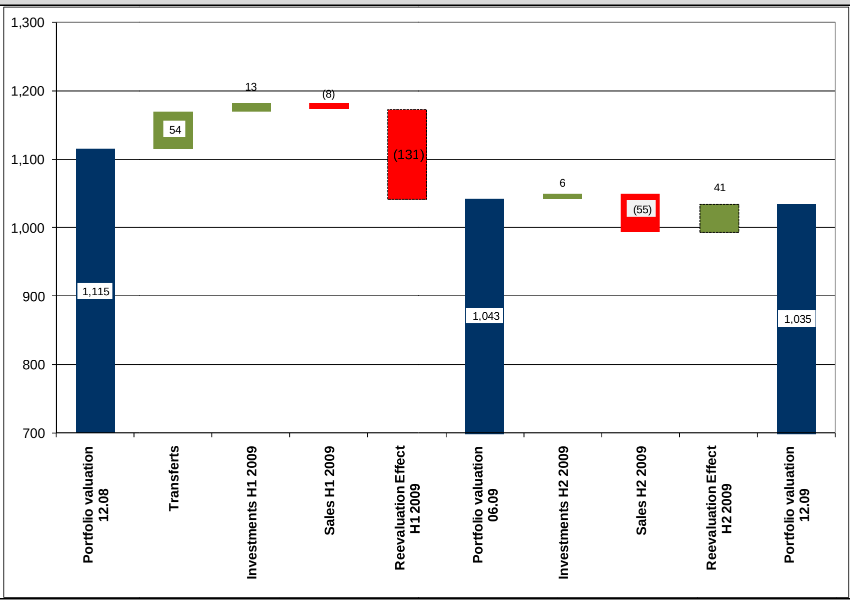
- **<u>Half-year relative value analysis : high revaluations in H1 followed by positive revaluation thanks to developments</u>**

The situation is contrasted between the two semesters:

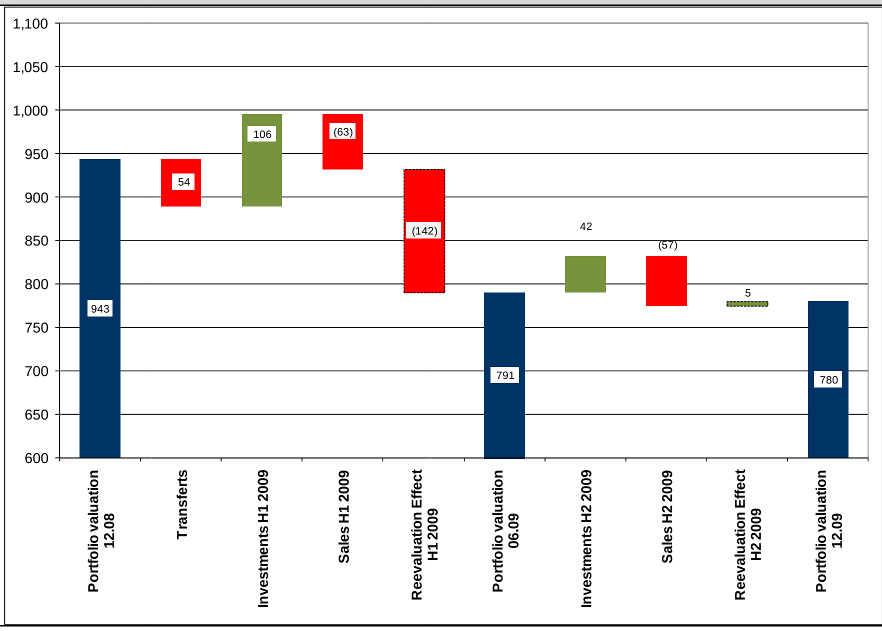
- <u>H1 2009 :</u> high revaluation losses due to (i) investments that were not recognized in terms of value on developments (ii) upwards yield movements that impacted valuations of commercial and investment properties;

- <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>**

- <u>Commercial investment properties:</u> 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

- <u>Developments:</u> 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.

<u>Residential development</u>
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.

<u>Non-residential revenues</u>

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.

<u>Rental activities</u>

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.

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.

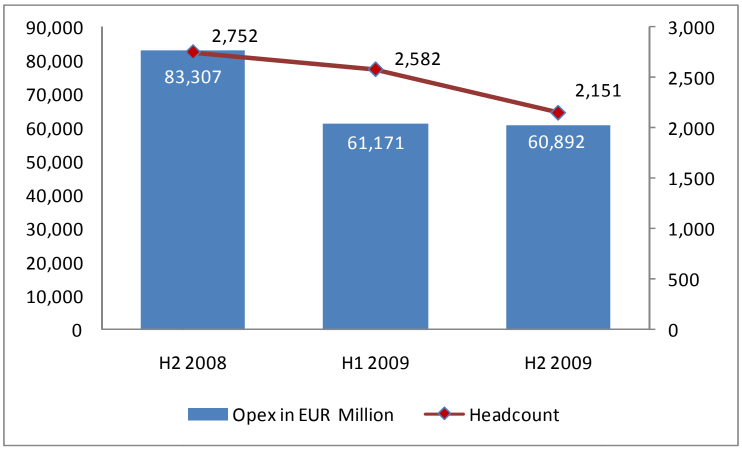
Asset Management

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

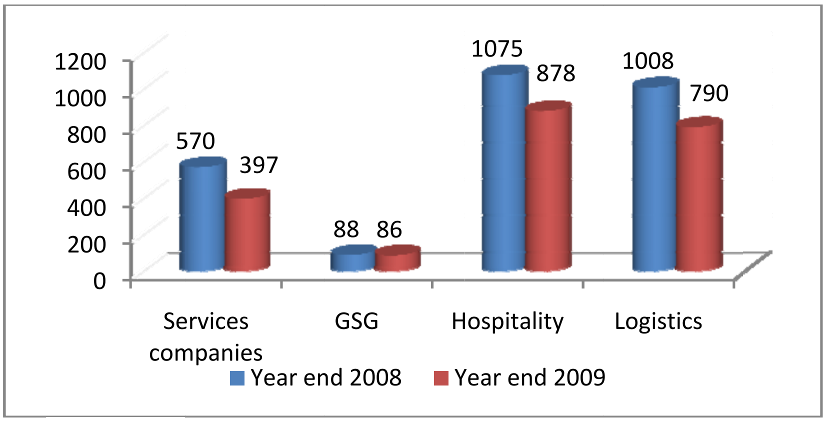
As of December 2009 the total assets of the Group mother company, Orco Property Group S.A amount to EUR 568.3 million compared to EUR 790.2 million as of December 2008.
The net equity amounts as of December 2009 to EUR 31.7 million including a loss brought forward of EUR 200.1 million vs EUR 249.4 million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