

# ORCO PROPERTY GROUP

## Consolidated financial statements

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

### I. Consolidated income statement

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

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

## II. Consolidated statement of comprehensive income

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

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

### III. Consolidated balance sheet

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

<b>Assets</b>			
	<b>Note</b>	<b>31 December 2009</b>	<b>31 December 2008</b>
<b>NON-CURRENT ASSETS</b>		<b>1,392,979</b>	<b>1,710,798</b>
Intangible assets	7	48,903	57,074
Investment property	8	1,072,304	1,211,718
<b>Property, plant and equipment</b>		<b>235,677</b>	<b>363,973</b>
Hotels and own-occupied buildings	9	215,393	245,273
Fixtures and fittings and other equipments	11	20,284	19,027
Properties under development	12	-	99,673
<b>Financial assets at fair value through profit or loss</b>	13	<b>32,353</b>	<b>70,681</b>
<b>Deferred tax assets</b>	26	<b>3,742</b>	<b>7,352</b>
<b>CURRENT ASSETS</b>		<b>630,554</b>	<b>753,312</b>
Inventories	14	482,605	529,827
Trade receivables		31,379	36,962
Other current assets	16	56,347	95,436
Derivative instruments	19	2,695	5,098
Current financial assets		488	2,190
Cash and cash equivalents	17	57,040	83,799
<b>ASSETS HELD FOR SALE</b>	8, 9, 10	<b>48,930</b>	<b>-</b>
<b>TOTAL</b>		<b>2,072,463</b>	<b>2,464,110</b>
<b>Equity and liabilities</b>			
		<b>31 December 2009</b>	<b>31 December 2008</b>
<b>EQUITY</b>		<b>104,730</b>	<b>420,874</b>
Equity attributable to owners of the Company		56,577	304,633
Non controlling interests	18	48,153	116,241 (1)
<b>LIABILITIES</b>		<b>1,967,733</b>	<b>2,043,236</b>
<b>Non-current liabilities</b>		<b>1,021,463</b>	<b>1,468,366</b>
Bonds	19	409,397	429,437
Financial debts	19	484,634	826,483
Provisions & other long term liabilities	20	16,918	29,625
Derivative instruments	19	9,289	14,917
Deferred tax liabilities	26	101,225	167,904
<b>Current liabilities</b>		<b>894,819</b>	<b>574,870</b>
Current bonds	19, 21	59,219	11,075
Financial debts	19, 21	595,776	298,761
Trade payables	21	33,480	59,577
Advance payments	21	53,212	61,120
Derivative instruments	19	44,380	38,382
Other current liabilities	21	108,752	105,955 (1)
<b>Liabilities held for sale</b>	10, 21	<b>51,451</b>	<b>-</b>
<b>TOTAL</b>		<b>2,072,463</b>	<b>2,464,110</b>

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

## IV. Consolidated statement of changes in equity

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

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

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

## V. Consolidated cash flow statement

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

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

## Notes to the consolidated financial statements

### 1. General information

Orco Property Group, société anonyme (“the Company”) and its subsidiaries (together the “Group”) is a real estate group with a major portfolio of investment properties in Central and Eastern Europe. It is principally involved in leasing out investment properties under operating leases as well as in asset management, in operating hotels and extended stay hotels and is also active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business.

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

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

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

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

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

#### 2.1 Basis of preparation and Going concern

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

##### 2.1.1 Going concern

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

##### 2.1.1.1 2008 results

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

The loss, being mainly the consequence of the decrease in the valuations of the properties and developments, caused further

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

#### 2.1.1.2 "Procédure de Sauvegarde"

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

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

#### 2.1.1.3 Restructuring plan implemented by the management

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

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

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

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

- A calendar has been set with the circularization of the Plan de Sauvegarde proposing a term out over ten years of all the Company debt to be submitted for approval before the end of the Procédure de Sauvegarde to the Court.
- In its restructuring plan the Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring can't be achieved in the short or medium term (see note 14). Some of these assets or activities have already been sold as at June 2009 and particularly the property management activities, the residential Project Fehrbelliner Hofe in Berlin and the residential project City Gate in Bratislava.
- 35% of the Group bank loans have been successfully renegotiated since the beginning of the year by either solving existing and potential covenants' breaches or extending construction credit lines repayment schedules. Negotiations are still continuing on the remaining debts with existing or potential covenants breaches and for assets and developments where restructuring needs

have been identified in the restructuring plan.

- The restructuring of the operations and teams has already led to significant operating expenses decrease compared to 2008. The cost reduction plan already generates improvements with the sum of employee benefits and the other operating expenses decreasing by more than 20%. The decrease would have been sharper without all the legal and consulting costs specific to the Safeguard procedure amounting to EUR 3.7 million. Further decreases are expected in 2010 and 2011 with the restructuring of Orco Germany (fully consolidated subsidiary held at 58% as at December 2009, OG) to be completed by the end of June 2010 and the restructuring of the group management in two business lines (Development and Asset management) also to be completed by the end of June 2010.
- The management is currently discussing with all its joint venture and investment partners in order to restore the liquidity of its loans granted to these joint ventures by having them repaid either in cash or converted in equity. In particular, some achievements with agreements finalized can already be reported :
  - An agreement has been finalized with our Hospitality joint venture partner whereby EUR 20 million out of the Company EUR 46 million shareholder loan will be restructured once all condition precedents are met. Our partner will inject EUR 10 million in cash in Hospitality Invest for partial repayment to the Company, while EUR 10 million of shareholder loan will be converted into equity in the joint venture leaving both partners at a 50% shareholding.
  - An agreement has been reached on the conversion of its EUR 17.6 million shareholder loan in OG into equity. This operation is made possible thanks to an agreement signed by OG, MSREF V Turtle B.V. (an investment vehicle managed by Morgan Stanley currently holding 28.91% of ORCO Germany S.A.) and the Company on August 26, 2009. Once all conditions precedents are met, the loan will be converted into 10,991,750 OG new shares at an issue price of EUR 1.60 per share where December 2009 net asset value stood at EUR 1.73, increasing the Group control from 58.10% to a 65% stake in its subsidiary.
- The cash flow forecast that was established with the support of Grant Thornton (except for Hvar hotels and Russian assets) in order to demonstrate the Group's ability to implement a recovery plan with the objective to finance its cash needs has proven to be conservative compared to the actual cash flows. This was mainly achieved as a result of the lower operating costs and the Group's ability to continue deliver residential projects and respond to the market demand that has not disappeared (the market depth has been notably very different from one city to another over the last months).

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

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

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

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

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

#### 2.1.1.5 Conclusion

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

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

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

2. considering the expected outcome of the safeguard period and restructuring program, and after making appropriate enquiries, there is a reasonable expectation that the Group can continue its operations in the foreseeable future and, accordingly, have formed a judgement that it is appropriate to prepare consolidated financial statements upon a going concern basis.

#### 2.1.2 Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

#### 2.1.3 Changes in accounting policies

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

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

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

#### **The following amendments have been early adopted by the Group:**

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



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

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

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

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

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

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

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

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

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

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

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

#### 2.1.4 Comparatives

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

## 2.2 Consolidation

### (a) Subsidiaries

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

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

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

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

### (b) Transactions with non controlling interests

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

### (c) Joint-ventures

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

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

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

## 2.3 Segment reporting

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

## 2.4 Foreign currency translation

### (a) Functional and presentation currency

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

Following the adoption of Euro by Slovakia, Euro became the functional currency of the Slovakian entities as at 1<sup>st</sup> January 2009.

### (b) Transactions and balances

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

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

### (c) Group companies

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

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement presented are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

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

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

## 2.5 Intangible assets

### (a) Goodwill

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

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

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

### (b) Computer software

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

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

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

(c) *Trademarks*

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

## **2.6 Investment property**

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

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

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

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

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

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

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

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

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

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

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

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

## **2.7 Property, plant and equipment**

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

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

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

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

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

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

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

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

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

## 2.8 Leases

(a) *A Group company is the lessee*

i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

ii) Finance lease

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

(b) *A Group company is the lessor*

i) Operating lease

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

ii) Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

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

## 2.9 Impairment of non-financial assets

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

## 2.10 Financial assets

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

rewards of ownership.

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

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

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

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

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

### **2.11 Inventories**

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

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

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

### **2.12 Trade receivables**

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

### **2.13 Cash and cash equivalents**

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

### **2.14 Share capital**

Ordinary shares are classified as equity.

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

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

### **2.15 Borrowings**

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

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised

cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

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

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

#### **2.16 Trade payables**

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

#### **2.17 Current and deferred income tax**

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

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

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

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

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

#### **Deferred income tax on investment property**

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

#### **2.18 Provisions and post-employment obligations**

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

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

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

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

### **2.19 Derivative financial instruments**

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

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

### **2.20 Revenue recognition**

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

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

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

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

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

### **2.21 Dividend distribution**

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

### **2.22 Share option plans**

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

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

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

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

## **3. Financial risk management**

### **3.1 Financial risk factors**

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



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

(a) *Market risk*

(i) Foreign exchange risk

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

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

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

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

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

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

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

(ii) Price risk

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

## (iii) Other risks

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

## (b) Credit risk

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

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

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

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

- **In 2009**

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

- **In 2008**

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

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

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

The Group does not hold any collateral.

(c) *Liquidity risk*

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

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

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

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

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

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

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

*(d) Cash flow interest rate risk*

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

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

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

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

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

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

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

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

### 3.2 Fair value estimation

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

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

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

used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

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

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

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

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

### 3.3 Capital risk management

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

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

The following table shows the detailed calculation of the loan to value ratio. Apart from the caption Revaluation gains on projects and properties, all the lines correspond to specific items indicated on the face of the consolidated balance sheet. The Revaluation gains

or losses on projects and properties represent the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties. The fair value may be lower than the book value of developments since the impairment test is performed on the basis of the expected selling once completed minus the remaining development and commercialization costs while the fair value corresponds to the sale price of the development as is at the date of valuation.

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

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

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

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

### 3.4 Financial instruments by category

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

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

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

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

#### 4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### 4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

(a) *Assessment of the going concern (see note 2.1.1)*

(b) *Estimate of fair value of investment properties*

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. A cash flow period of 10 years is taken into consideration and is based on an estimate of the future potential net income generated by use of the properties. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

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

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

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

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

*(c) Income taxes*

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

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

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

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

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

*(e) Estimate of fair value of financial instruments*

Some financial instruments are recorded at fair value.

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

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

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



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

*(f) Impairment on own occupied and hotels*

For the purpose of determining the impairment on own occupied and hotels, the Group uses the fair value as determined by the independent expert. The valuation methodology used being generally discounted cash flow valuation technique.

*(g) Impairment on goodwill*

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

## 4.2 Critical judgments in applying the Group's accounting policies

### *Distinction between investment properties and owner-occupied properties*

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

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

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

### *Transfer between Inventories and Investment property*

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

### *Transfer between Investment property and Inventories*

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

## 5. Segment reporting

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

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

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

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

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

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

As at 31 December 2009	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
<b>Revenue</b>	129,438	28,428	96,656	9,721	-12,712	<b>251,531</b>
Net gain or loss from fair value adjustments	-81,288	-2,614	-93,696	-	-	<b>-177,598</b>
Cost of goods sold	-113,538	-2,146	-43	-	-	<b>-115,726</b>
Amortisation, impairments and provisions	-40,709	-27,677	-20,924	-44	-	<b>-89,354</b>
Other operating results	-36,283	-29,295	-61,319	-8,885	12,711	<b>-123,071</b>
<b>Operating result</b>	<b>-142,380</b>	<b>-33,304</b>	<b>-79,325</b>	<b>792</b>	<b>-1</b>	<b>-254,218</b>
Net gain on fair value adjustments	81,288	2,614	93,696	-	-	177,598
Amortisation, impairments and provisions	40,709	27,677	20,924	44	-	89,354
Past valuation on goods sold	1,371	-	-	-	-	1,371
Net gain or loss on disposal of assets	873	80	911	-1,232	-	631
Net gain(loss) on abandoned developments	11,592	-	-	-	-	11,592
Stock options and warrants	1,701	374	1,325	128	-	3,528
<b>Adjusted EBITDA</b>	<b>-4,847</b>	<b>-2,559</b>	<b>37,530</b>	<b>-269</b>	<b>-1</b>	<b>29,855</b>
<b>Segment assets</b>	<b>812,090</b>	<b>210,560</b>	<b>950,202</b>	<b>-</b>	<b>-18,797</b>	<b>1,954,055</b>
Unallocated assets						118,408
<b>Total assets</b>						<b>2,072,463</b>
<b>Segment liabilities</b>	<b>546,374</b>	<b>13,749</b>	<b>858,921</b>	<b>-</b>	<b>-10,992</b>	<b>1,408,052</b>
Unallocated liabilities						664,411
<b>Total liabilities</b>						<b>2,072,463</b>
<b>Cash flow elements</b>						
Capital expenditure	9,600	1,727	33,686	55	-	<b>45,068</b>
<b>As at 31 December 2008</b>						
	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
<b>Revenue</b>	157,073	37,685	111,379	16,234	-22,445	<b>299,926</b>
Net gain or loss from fair value adjustments	-123,286	-25,813	-67,852	-	-	<b>-216,951</b>
Cost of goods sold	-128,283	-112	593	40	-	<b>-127,762</b>
Amortisation, impairments and provisions	-75,494	-12,687	-100,240	-96	-	<b>-188,517</b>
Other operating results	-49,809	-41,145	-76,253	-8,644	22,385	<b>-153,466.50</b>
<b>Operating result</b>	<b>-219,799</b>	<b>-42,072</b>	<b>-132,373</b>	<b>7,534</b>	<b>-60</b>	<b>-386,770</b>
Net gain on fair value adjustments	123,286	25,813	67,852	-	-	216,951
Amortisation, impairments and provisions	75,494	12,687	100,240	96	-	188,517
Past valuation on goods sold	4,684	0	0	-	-	4,684
Net gain or loss on disposal of assets	-1,727	659	-42	49	-	-1,060
<b>Adjusted EBITDA</b>	<b>-18,061</b>	<b>-2,913</b>	<b>35,677</b>	<b>7,679</b>	<b>-60</b>	<b>22,322</b>
<b>Segment assets</b>	<b>979,853</b>	<b>235,417</b>	<b>1,128,339</b>	<b>60,587</b>	<b>-128,886</b>	<b>2,275,309</b>
Unallocated assets						188,801
<b>Total assets</b>						<b>2,464,110</b>
<b>Segment liabilities</b>	<b>481,919</b>	<b>10,553</b>	<b>78,782</b>	<b>13,730</b>	<b>-33,278</b>	<b>220,988</b>
Unallocated liabilities						2,243,122
<b>Total liabilities</b>						<b>2,464,110</b>
<b>Cash flow elements</b>						
Capital expenditure	79,314	19,736	183,157	-	-	<b>282,206</b>

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

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

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

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

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

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

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

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

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

## 6. Business combinations

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

## 7. Intangible assets

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

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

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

## 8. Investment property

Investment property	Freehold buildings	Extended stay hotels	Land bank	Land	Buildings under finance lease	Buildings under construction	TOTAL
<b>Balance at 31 December 2007</b>	<b>1,060,436</b>	<b>59,567</b>	<b>388,892</b>	<b>54,462</b>	<b>1,590</b>	<b>-</b>	<b>1,564,947</b>
Investments / acquisitions	37,041	1,210	73,675	-	1,972	-	113,898
Partial sales	-	-7,377	-	-	-	-	-7,377
Asset sales	-113,412	-	-39,233	-	-8	-	-152,653
Revaluation through income statement	-117,603	-24,225	-74,369	-	-754	-	-216,951
Transfers	26,943	-6,890	-52,197	-56,572	-	-	-88,716
Translation differences	6,104	-	-9,644	2,110	-	-	-1,430
<b>Balance at 31 December 2008</b>	<b>899,509</b>	<b>22,285</b>	<b>287,124</b>	<b>-</b>	<b>2,800</b>	<b>-</b>	<b>1,211,718</b>
Investments / acquisitions	3,502	67	7,535	-	-	9,023	20,127
Asset sales	-60,149	-	-7,279	-	-	-	-67,428
Revaluation through income statement	-102,698	-917	-65,723	-	-1,020	-7,240	-177,598
Transfers from properties under development	50,170	-	-	-	-	41,682	91,852
Other Transfers	3,107	-5	-7,033	-	-1,500	-4,744	-10,175
Translation differences	2,263	-	156	-	-	1,389	3,808
<b>Balance at 31 December 2009</b>	<b>795,704</b>	<b>21,430</b>	<b>214,780</b>	<b>-</b>	<b>280</b>	<b>40,110</b>	<b>1,072,304</b>

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

- **In 2009**

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

### A) Investments / Acquisitions

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

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

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

### B) Asset sales

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

#### Freehold buildings:

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

Land bank:

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

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

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

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

D) Transfers

The transfers are mainly made of the following movements:

1/ Freehold buildings

Main Incoming Assets

- Na Porici (EUR 45.4 million) and Budapest Stock Exchange (EUR 41.7 million) have been transferred from Properties under development to Investment Property as at 1<sup>st</sup> January 2009, due to the application of IAS40 Revised (see note 12).
- Hradcanska (EUR 14.8 million), Logistic Park Hlubocky (EUR 5.0 million) and Paris Department Store (EUR 21.5 million) are projects previously recognized as Inventories, which are now transferred to Investment Property (see note 14).
- Ku-Damm 103 (EUR 8.7 million) is transferred from Own Occupied Buildings to Investment Property. This asset will be rented to third parties as Orco Germany's headquarters have moved to another office in Berlin (see note 9).

Main Outgoing Assets

- Mostecka (EUR 10.8 million) and Americka 11 (EUR 2.6 million) are transferred from Investment Property to Inventories as the development of these projects has been approved by the Investment Committee.
- Main Budapest Bank (EUR 12.8 million), Stein in Bratislava (EUR 10.0 million), Wasserstrasse in Düsseldorf (EUR 8.4 million), Small Budapest Bank (EUR 0.6 million) are transferred to Assets held for sale (see note 10).

Other movement

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

2/ Land bank

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

## In 2008

### A) Investments / Acquisitions

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

- Freehold buildings (EUR 37.0 million):
  - New acquisitions (EUR 12.7 million):
    - Germany: various residential and office buildings among which Hüttendorf (EUR 7.9 million), Hakeburg (EUR 3.4 million) and Hochwald (EUR 1.4 million).
  - Subsequent expenditures on previous acquisitions (EUR 24.3 million), among which:
    - in Germany: Cumberland (EUR 5.6 million). GSG purchased during the year the Hereditary Building Rights (HBR) for 7 plots, amounting to EUR 12.5 million;
    - Poland: Marki (EUR 2.3 million).
  
- Land bank (EUR 73.7 million):
  - New acquisitions (EUR 38.7 million):
    - Germany: Gethsemanestrasse (EUR 2.9 million);
    - Czech Republic: Nupaky (EUR 6.4 million) and OBI Decin (EUR 2.2 million);
    - Croatia: Obonjan Rivijera (EUR 2.2 million);
    - Poland: new plot in Krakow (EUR 7.6 million);
    - Russia: new plot in Kaluga (EUR 17.4 million).
  - Subsequent expenditures on previous acquisitions (EUR 35.0 million), among which:
    - Germany: Wertheim in Berlin (EUR 2.7 million);
    - Czech Republic: Bubny (EUR 12.6 million);
    - Hungary: Origo plot (EUR 3.8 million);
    - Poland: Jozefoslaw (EUR 2.3 million).

### B) Partial Sale

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

### C) Asset sale

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

- The Lux Plaza office building has been sold to the Endurance Real Estate Fund for a sale price equivalent to the net book value amounting to EUR 31.6 million;
- The former Luxembourg Head Office building (NBV of EUR 2.3 million) has been sold at the price of EUR 2.3 million;
- Sales of apartments from the Vinohrady portfolio (NBV of EUR 45.1 million) at the sale price of EUR 46.6 million;
- The building Londynska 26 (NBV of EUR 2.6 million), at the sale price of EUR 1.9 million;
- Small Buildings in Berlin have been sold (NBV of EUR 12.3 million) at the sale price of EUR 12.6 million;
- Sales of appartments from the Americka residential buildings for a NBV of EUR 2.4 million at the sale price of 3.9 million;
- Sales of a part of the project Gethsemanstrasse (NBV of EUR 3.0 million) at the sale price of EUR 3.1 million;
- The project in Slovakia Kohal Kosice (NBV of EUR 5.8 million) has been sold at the sale price of EUR 3.9 million;
- The Revay Utca 10 project (NBV of EUR 4.2 million) in Budapest has been sold for at the sale price of EUR 3.4 million;
- The CIB Bank in Budapest (NBV of EUR 7.6 million) has been sold at the sale price of EUR 7.1 million;
- The Otrada project in Russia (NBV of EUR 35.8 million) has been sold at the sale price of EUR 35.8 million.

### D) Revaluation through income statement (see details below) (see Note 4.1):

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

- In Germany, the total amount of decrease in fair value amounts to EUR -50.7 million (EUR -36.7 million on Freehold Building and EUR -14.0 million on Land Bank);
- In the Czech Republic, the total amount of decrease of fair value reaches EUR -78.1 million (EUR -38.5 million on Freehold Building and EUR -39.6 million on Land Bank);
- The decrease in fair value registered on the period, on the other countries amount to EUR - 63.2 million considering the Freehold Buildings (EUR -42.4 million) and the land bank (EUR -20.8 million);

On the Extended stay hotels category, the total amount of decrease of fair value reaches EUR - 24.2 million.

#### E) Transfers

Transfers represent 3 types of reclassifications:

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

All investment properties financed by banks are pledged.



## List of major investment properties:

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

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

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

## 9. Hotels and own-occupied buildings

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

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

- In 2009**

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

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

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

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

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

- Own-occupied: Molcom Logistics (EUR 10.5 million) and Orco Luxembourg in Capellen (EUR 0.2 million).
- Hotels: Andrassy Hotel in Budapest (EUR 1.3 million), and on the Hvar Island: Amfora (EUR 6.8 million), Pharos Hotel (EUR 4 million), Sirena Hotel (EUR 1.9 million), Bodul Hotel (EUR 1.8 million), Adriana (EUR 1.6 million), Camping Vira (EUR 0.7 million) and Riva Hotel (EUR 0.4 million).
- Prepaid operating leases: Sulekova Hotel in Slovakia (EUR 1.0 million).

- In 2008**

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

The Group sold the Lux Plaza office building to Endurance Fund where 20% of the net rentable area are dedicated to Orco's

headquarters in Prague and were as a result classified under the IAS16 own-occupied caption (EUR -5.8 million).

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

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

- Own-occupied : Molcom Logistics (EUR 34.0 million), Orco Germany's headquarters (EUR 1.7 million) in Berlin and Suncani Hvar headquarters (EUR 2.1 million).
- Hotels : Riverside I & II in Prague (EUR 5.7 million), Andrassy Hotel in Budapest (EUR 0.7 million) and Camping Vira (EUR 0.4 million) on Hvar island.

25 projects (EUR 211.1 million) financed by bank loans in local special purpose entities are fully pledged for EUR 104.9 million.

## 10. Assets and liabilities held for sale

As at December 31, 2009, the Group decided to sell 5 assets from its investment property portfolio (nil in 2008), as the due date of the financing of these non strategic assets is in short term.

These assets have been transferred in assets held for sale.

Two of them are in Germany: Helberger in Frankfurt (EUR 11.0 million, Development segment) and Wasserstr. in Duesseldorf (EUR 8.4 million, Renting segment).

Two projects are located in Hungary, Small Budapest Bank (EUR 0.7 million, Renting Segment) and Main Budapest Bank (EUR 13.2 million, Renting segment).

The last project is located in Slovakia: Stein (EUR 10.0 million, Development segment). The bank debt on these assets amounts to EUR 51.5 million.

Finally, the hotel Sirena on the Hvar Island, previously classified as hotel is planned to be sold and has been recognized as asset held for sale (EUR 5.7 million, Hospitality segment).

## 11. Fixtures and fittings

	Gross amount	Amortisation and Impairments	Net amount
<b>Balance at 31 December 2007</b>	<b>30,680</b>	<b>-9,644</b>	<b>21,036</b>
Increase	4,987	-4,515	472
Assets sales	-4,235	1,825	-2,410
Change to proportional consolidation	-766	642	-124
Transfer	342	568	910
Translation difference	-1,628	771	-857
<b>Balance at 31 December 2008</b>	<b>29,380</b>	<b>-10,353</b>	<b>19,027</b>
Increase	2,165	-4,583	-2,418
Assets sales	-1,019	662	-357
Transfer	9,445	-5,466	3,979
Translation difference	-91	144	53
<b>Balance at 31 December 2009</b>	<b>39,880</b>	<b>-19,596</b>	<b>20,284</b>

### • In 2009

Main increases are due to the development of the project Vysocany Gate in Czech Republic (EUR 1.4 million) and to the new Warehouse of Molcom in Russia (EUR 0.5 million).

The main transfer relates to the reallocation of the fixtures and fittings previously recognized in properties under development on project Paris Department Store in Budapest (EUR 2.2 million) and on projects located on Hvar island (EUR 1.7 million).

Impairments have been recognized during the year amounting to EUR 0.3 million.

### • In 2008

Main increases are due to the acquisition of Blue Yachts, d.o.o. in Croatia (EUR 1.6 million) and investments done by Suncani Hvar in Croatia (EUR 0.8 million), the Riverside Hotel in the Czech Republic (EUR 0.4 million), the Pokrovka Hotel and Molcom in Russia (respectively EUR 0.4 million and EUR 0.2 million).

Asset sales mainly represent sales of fixtures made by the Group's mother company, Orco Property Group S.A. (net sale of EUR -1.0 million) and Orco Prague, a.s. in the Czech Republic (net sale of EUR -0.4 million).

Change to proportional consolidation (EUR -0.1 million) represents the sale of Residence Belgicka in the Czech Republic and

Residence Diana in Poland to Hospitality Invest S.à r.l.

## 12. Properties under development

Properties under development	31 December 2009	31 December 2008
<b>Opening Balance</b>	<b>99,673</b>	<b>104,369</b>
Work in progress	12,316	84,213
Impairments	-	-27,367
Transfers and other movements	-108,827	-56,302
Translation differences	-2,194	-2,640
Movements in advance payments for work in progress	-998	-2,600
<b>Closing Balance</b>	<b>-</b>	<b>99,673</b>

As at 31 December 2009, the advance payments of EUR 1.5 million, compared to EUR 2.5 million as at 31 December 2008 have been transferred to other current assets. These advance payments essentially relate to the development of various projects in the Czech Republic.

- In 2009**

During the year, the Group invested EUR 12.2 million in the new warehouse of Molcom in Russia.

The transfers relate mainly to three reclassifications:

- Na Porici, which has been completed (EUR -45.4 million) is reclassified in Investment Properties (see note 8);
- Budapest Stock exchange (EUR -41.7 million) is reclassified in Investment Properties (see note 8).
- Molcom Warehouse, which has been completed (EUR -19.3 million) and reclassified in Own Occupied Buildings (see note 9).

- In 2008**

The Work in progress represents several investments made during the period for the following projects:

- Radio Free Europe (EUR 45.1 million), office development in Prague;
- Budapest Stock Exchange (EUR 2.8 million), retail development in Budapest;
- Paris Department Store (EUR 7.3 million), retail and development in Budapest;
- Molcom (EUR 12.5 million), construction of a warehouse in Moscow;
- Na Porici (EUR 13.3 million), office development in Prague;

Additional impairments have been recognized on the basis of the value established by DTZ on the following properties (see note 4.1):

- Na Porici impaired for EUR -19.1 million;
- 190 Vaci Road impaired for EUR -2.0 million;
- Molcom Warehouse impaired for EUR -6.2 million.

Transfers and other movements represent three categories of reclassifications (EUR 56.3 million):

- The first category relates to the reclassification of the lands and land bank, that were previously recognized as investment properties, and have been transferred to Properties under development. The main transfers are:
  - Budapest Stock Exchange: EUR 18.1 million;
  - Molcom: EUR 2.3 million;
  - Na Porici: EUR 17.5 million.
- The second category relates to the projects that are meant to be sold and have been transferred to Inventories. The main transfers are:
  - The Paris Department Store: EUR -18.2 million;
  - The Peugeot Showroom project in Warsaw: EUR -3.3 million.

- Finally, 2 projects have been completed during the third and fourth quarter:
  - The project Radio Free Europe is recognized as Investment Property (EUR -65.3 million);
  - The project of the hotel Riverside II is recognized in the Hotels category (EUR -5.1 million);

2 projects (EUR 88.9 million) (Vaci 1 in Hungary and Na Porici in the Czech Republic) are pledged for a total amount of EUR 52.2 million (nil in 2007).

### 13. Financial assets at fair value through Profit or Loss

This line includes mainly 2 financial assets:

- the fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 10.5 million (EUR 29.4 million in 2008). The Endurance fund managed by the Group (see note 30) is divided in three specialised sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 2009, based on the net asset value as provided by the fund Manager with a liquidity discount of 20% (nil in 2008), amounts to a loss of EUR 19.8 million (EUR 6.2 million loss in 2008). The fair value of this financial asset has been determined according to the Endurance Fund consolidated financial statements as at 30 September 2009. An additional change in fair value of EUR 2.5 million has been recognized between 30 September and 31 December 2009.
- the non eliminated portions of the equity loans granted to joint-ventures for EUR 44.4 million (EUR 38.8 million in 2008) out of which EUR 43.9 million (EUR 38.2 million in 2008) million correspond to 50% of the loan granted to the hospitality joint-venture with AIG (including the accrued interests). The non eliminated part of two loans granted to the hospitality joint venture (on profit participating loan to the joint venture holding company and one loan granted directly to a hotel company) have been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan. The decrease in fair value of these two assets has been recognised through profit or loss for a total amount of EUR 22.9 million.

### 14. Inventories

Inventories	31 December 2009	31 December 2008
<b>Opening Balance</b>	<b>529,827</b>	<b>323,699</b>
Abandoned development projects	-39,956	-
Net impairments	-39,659	-82,773
Transfers	-29,626	137,435
Translation differences	2,582	-26,209
Development costs	135,207	305,437
Cost of goods sold	-75,770	-127,762
<b>Closing Balance</b>	<b>482,605</b>	<b>529,827</b>

Inventories properties are developed with the intention to resell.

- In 2009

The Group decided to not finalize and to sell two projects:

- the City Gate project in Bratislava was sold for a net result of EUR -5.9 million (NBV of EUR 29.4 million).
- the Fehrbelliner Hofe project in Berlin was sold for a net result of EUR - 5.6 million (NBV of EUR 10.6 million).

Development costs amounting to EUR 135.2 million, out of which EUR 87.5 million have been financed by bank loan draw downs, have been capitalized on the following projects: Sky Office (EUR 47.4 million), H2 Office (EUR 21.0 million), Vysocany gate (EUR 6.8 million), Bernauer Straße (EUR 5.9 million), Zlota 44 (5.7 million), Neuenkirchener Straße (EUR 5.7 million), Targowek / Malborska (EUR 4.6 million), Tschaikowskistraße 33 (EUR 4.2 million), Paris Department store (EUR 2.9 million), Warsaw – Drawaska (EUR 4.0 million) and Danzigerstrasse (EUR 2.1 million).

The transfers arise from the following properties: Hradanska (EUR -14.8 million), Paris Department Store (EUR -21.5 million in Investment Property and EUR 2.2 million in fixtures and fittings) -which are now rented and are reclassified as Investment Property. The project Mostecka in Czech Republic (EUR +10.8 million) was transferred from Investment Property to Inventories, as it is intended to be developed and sold.

Impairments have been recognized mainly on the following properties:

- Sky Office: EUR -15.0 million
- Benice: EUR -4.8 million
- Duisburg (H2 Office): EUR -3.8 million
- Vavrenova: EUR -2.9 million
- Szczecin/Szoza Polska: EUR -2.3 million
- Pivovar Vrchlabi: EUR -3.8 million
- Vysocany Gate: EUR -2.8 million

12 projects in development (EUR 238.5 million) are pledged for a total amount of EUR 147.5 million.

- **In 2008**

Inventories properties are developed with the intention to resell.

Following the change in the intended use of various properties the following transfers have occurred:

EUR 62.4 million from Freehold buildings, EUR 45.7 million from Land bank, EUR 22.1 million from Construction in progress, EUR 7.3 million from Land.

The main transfers arise from the following properties: Benice (EUR 30.8 million), City Gate (EUR 28.3 million), Hradcanska (EUR 23.4 million), Paris Department Store (EUR 25.5 million), Danziger Strasse (EUR 7.1 million), Duisburg (EUR 3.9 million), Vavrenova (EUR 3.6 million), Peugeot Showroom (EUR 3.3 million), Slunecny Vrsek (EUR 4.1 million), Michle (EUR 2.4 million).

Additional impairments have been recognized as described in note 4.1.d mainly on the following properties:

- Fehrbelliner Hofe: EUR -16.5 million;
- Benice: EUR -17.2 million;
- Hradcanska: EUR -13.0 million;
- City Gate: EUR -7.5 million;
- Duesseldorf Sky Office: EUR -6.2 million;
- Danziger Strasse: EUR -5.3 million.

The main development costs have been incurred on the following projects: Sky Office (EUR 59.3 million), Zlota Tower (EUR 40.8 million), Targowek (EUR 21.8 million), Koliba (EUR 16.4 million), Benice (EUR 12.3 million), Rudna II (EUR 11.9 million), Vysocany Gate (EUR 11.2 million), Hradec Kralové (EUR 8.2 million), Duisburg (EUR 7.8 million), Minstergarten (EUR 6.1 million), Fehrbelliner (EUR 3.7 million). The remaining development costs are below EUR 5 million per project.

16 projects (EUR 399.6 million) in development are pledged for a total amount of EUR 214.0 million (8 projects for EUR 63.7 million in 2007).

## **15. Loss on disposal of assets**

During 2009, in the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 93.9 million generating a consolidated net loss of EUR 13.5 million and a net cash inflow after financial debt repayment amounting to EUR 30.3 million.

The loss mainly comes from the sale of two projects that have been abandoned and sold: Fehrbelliner Hofe in Berlin (EUR -5.7 million) and City Gate in Bratislava (EUR -5.9 million).

The entity Orco property management services a.s. has been sold and its services externalized for a total consideration of EUR 1.3 million.



## 16. Other current assets

	Balance at 31 December 2008	Variation	Impairments	Transfer	Translation differences	Balance at 31 December 2009
Prepayment tax receivables	28,475	-22,056	-	-	-611	5,808
Prepayment of Income tax	3,154	-2,570	-	-	22	606
Prepayment social securities	17	-17	-	-	-	-
Operating loans	11,932	2,519	-	-415	-267	13,769
Accrued assets	41,097	-20,335	-	-	129	20,891
Other current assets	2,907	1,330	-862	14	79	3,468
Dividends receivable	637	-623	-	-	-	14
Accrued interests	3,501	4,412	-	-3,693	25	4,245
Other assets	3,716	6,869	-6,026	1,365	71	5,995
Advance payment for work in progress	-	3,315	-	-1,818	54	1,551
<b>Total other current assets</b>	<b>95,436</b>	<b>-27,156</b>	<b>-6,888</b>	<b>-4,547</b>	<b>-498</b>	<b>56,347</b>

	Balance at 31 December 2007	Variation	Impairments	Transfer	Translation differences	Balance at 31 December 2008
Prepayment tax receivables	23,645	6,077	-	3	-1,250	28,475
Prepayment of Income tax	2,263	1,051	-	-	-160	3,154
Prepayment social securities	58	-41	-	-	-	17
Operating loans	22,385	-18,983	-	9,470	-941	11,931
Accrued assets	34,859	6,314	-	-	-76	41,097
Other current assets	20,442	-17,483	-	-50	-3	2,906
Dividends receivable	6	631	-	-	-	637
Accrued interests	2,553	972	-	66	-90	3,501
Other assets	7,587	7,188	857	-11,906	-8	3,718
<b>Total other current assets</b>	<b>113,798</b>	<b>-14,274</b>	<b>857</b>	<b>-2,417</b>	<b>-2,528</b>	<b>95,436</b>

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 17. Cash and cash equivalents

As at 31 December 2009, the cash and cash equivalents consist of short term deposits for EUR 2.2 million (EUR 17.1 million in 2008), cash in bank for EUR 54.6 million (EUR 66.5 million in 2008) and cash in hand for EUR 0.2 million (EUR 0.2 million in 2008).

Cash in bank include restricted cash (EUR 35.2 million – EUR 55.0 million in 2008) representing:

- cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal (EUR 6.5 million – EUR 7.9 million in 2008);
- cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units (EUR 10.0 million – EUR 15.4 million in 2008);
- cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property (EUR 18.7 million – EUR 31.7 million in 2008).

## 18. Non controlling interests' transactions

### • 2009

- In March 2009, the company NWDC in Czech Republic (shareholding of the Group of 51% as at 31 December 2008) was sold. This transaction resulted in decrease in non controlling interests of EUR -0.5 million.
- The Group increased its participation of 1.31% in Orco Germany by integration of some Orco Germany shares previously disclosed as current financial assets. This operation led to an impact on the non controlling interests of EUR -1.8 million.

### • 2008

- In January 2008, Suncani Hvar dd proceeded to a capital increase that has been subscribed by the Group. As a result the minority interests in absolute terms decreased by EUR 8.6 million and the shareholding of the Group in Suncani Hvar dd has slightly gone up from 47.6% to 55.6%.

- In June 2008, the Group sold 1% of Orco Molcom BV (shareholding of the Group of 69% as at December 2008). It results to a decrease of the equity attributable to owners of the company of EUR 1.1 million.
- The sale to the residential Endurance sub-fund of 25% in one residential development in Czech Republic (Benice) resulted in a decrease of the equity attributable to owners of the company amounting to 3.3 million.

## 19. Borrowings, financial debts, bonds and derivatives

At 31 December 2009, the movements in non-current bonds and loans are the following:

### 19.1 Non-current bonds

Non-current bonds	Convertible bonds	Exchangeable bonds	Bonds with repayable subscription warrants	TOTAL
<b>Balance at 31 December 2007</b>	<b>129,762</b>	<b>20,628</b>	<b>270,216</b>	<b>472,812</b>
Interest accumulated during the year	13,599	156	13,736	27,812
Repayment of bonds	-	-	-	-38,742
Translation differences	-	-	-	-2,710
Transfer to short term	-	-	-	-11,075
Own bonds	-8,317	-1,389	-8,954	-18,660
<b>Balance at 31 December 2008</b>	<b>135,044</b>	<b>19,395</b>	<b>274,998</b>	<b>429,437</b>
Interest accumulated during the year	14,131	124	13,974	28,229
Transfer to short term	-	-	-47,921	-47,921
Own bonds	1,200	-1,548	-	-348
<b>Balance at 31 December 2009</b>	<b>150,375</b>	<b>17,971</b>	<b>241,051</b>	<b>409,397</b>

No new bonds have been issued in 2009.

The transfer of bonds to short term (EUR -47.9 million) relates to the OBSAR 1 bond which is due for redemption in November 2010.

In 2009 Orco Property Group sold 76,279 convertibles bonds on the open market for a total consideration of EUR 1.2 million.

Based on requests for early redemption received from individual holders of the Czech bond (the "Bond CZK") that was issued in February 2006, the Group reimbursed 110 bonds (out of 140 outstanding) in 2008 amounting to CZK 1,100,000,000 (EUR 40.8 million). During the year 2009, bondholders requested the reimbursement of 27 bonds CZK, out of the 30 bonds still outstanding, for a value of CZK 200,000,000 (EUR 7.7 million). The Bond CZK is classified in short term for CZK 300,000,000 (EUR -11.3 million) as its repayment can be requested on demand due to a breach of loan covenant (the CZK bonds were downgraded by Moody's in 2008).

See note 4.2 for covenants, defaults and cross defaults.

## 19.2 Non-current financial debts

Non-current financial debts	Bank loans	Other non-current borrowings	Finance lease liabilities	TOTAL
<b>Balance at 31 December 2007</b>	<b>806,738</b>	<b>23,855</b>	<b>1,131</b>	<b>831,724</b>
Issue of new loans and drawdowns	278,622	10,182	315	289,119
Repayments of loans	-105,779	-9,084	-27	-114,890
Transfers	-164,121	7,386	-278	-157,013
Translation differences	-22,042	-400	-15	-22,457
<b>Balance at 31 December 2008</b>	<b>793,418</b>	<b>31,939</b>	<b>1,126</b>	<b>826,483</b>
Issue of new loans and drawdowns	41,912	1,456	20	43,388
Amortized cost review	-	-17,972	-	-17,972
Repayments of loans	-44,803	-378	-44	-45,225
Transfers	-317,480	-1,095	-	-318,575
Translation differences	-3,645	160	20	-3,465
<b>Balance at 31 December 2009</b>	<b>469,402</b>	<b>14,110</b>	<b>1,122</b>	<b>484,634</b>

### • 2009

Issue of new bank loans and drawdowns (EUR 41.9 million) are mainly related to the following projects:

- further drawdowns for the construction of Oranienburg senior residence in Germany (EUR 7.0 million);
- further drawdowns for Na Porici (EUR 6.9 million);
- drawdowns for Healthcare projects (EUR 13.7 million);
- drawdowns for Kotic (EUR 4.4 million);
- refinancing for the Paris department store (EUR 2.8 million) and Budapest Stock Exchange (EUR 2.0 million) in Hungary;
- refinancing for Diana development (EUR 2.5 million) in Poland and Belgicka residence (EUR 1.2 million) in Czech Republic;
- various other small projects (EUR 1.4 million).

Repayments of bank loans (EUR -44.8 million) are mainly related to the following operations:

- Asset sales in Germany: Immanuelkirchstrasse (EUR -7.2 million), Reinhardtstrasse (EUR -6.8 million), Prenzlauer (EUR -1.4 million), Kollwitzstrasse (EUR -1.4 million), Wilhelm Kuhr Str. (EUR -1.3 million), Görschstrasse (EUR -1.3 million), John Schehr Str. (EUR -1.4 million), Brunnenstrasse (EUR -1.5 million) and Pappelallee (EUR -2.6 million).
- Sale of Nove Dvory (EUR -5.1 million), Brno Shopping (EUR -2.6 million) in the Czech Republic.

Transfers of bank loans (EUR -317.5 million) are mainly due:

- to the reclassification of the bank loans, that will fall due within twelve months of year end, of Sky Office in Dusseldorf (EUR -65.2 million); of Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); of Paris Department store (EUR -16.5 million) in Hungary; and of Targowek/Malborska (EUR -15.8 million) and Viterra (EUR -2.7 million) in Poland.

- to new breaches on financial covenants for the bank loans financing the following projects: Suncani Hvar (EUR -41.1 million) in Croatia; Zlota (EUR -40.7 million), Marki (EUR -3.7 million), and Przy Parku (EUR -3.6 million) in Poland; Franklinstrasse (EUR -29.4 million) in Germany; Main Budapest Bank (EUR -19.6 million), and Budapest Stock Exchange (EUR -24.2 million) in Hungary. These loans would be repayable on demand if they are declared in default by the bank hence the non-current part has been reclassified as current.

As at 31 December 2009, the total carrying value of loans in breach due to financial covenants amounts to EUR 364.7 million. As at 30 March 2010, none of the loans with breach of covenants as at 31 December 2009 have been restructured. The objective of the management is to restructure and renegotiate these loans in priority to comply as soon as possible with the bank loan covenants.

Other non-current loans are mainly equity loans from joint ventures and loans from partner companies. The new loans (EUR 1.5 million) mainly relate to MS Invest and Hospitality (EUR +0.7 million and EUR +1.0 million respectively). The transfers relate mainly to a reclassification of advance payments (EUR -0.7 million) in Gebauer Hofe.

As a result of the amortized cost review, the net present value of the profit participating loan granted to the Hospitality joint venture by the partners has been decreased by an amount of EUR 18.0 million.

### • 2008

Issue of new bank loans and drawdowns (EUR 278.6 million) are mainly related to the following projects:

- further drawdowns for the construction of the Sky Office tower in Germany (EUR 46.8 million);

- refinancing of Radio Free Europe and Na Porici projects in the Czech Republic (respectively EUR 41.3 million and EUR 9.9 million);
- refinancing of Hospitality projects (EUR 34.3 million);
- refinancing of Vaci 1 (Budapest Stock Exchange) in Hungary (EUR 23.6 million);
- financing of acquisition of land plots Malborska and Przy Parku in Poland (respectively EUR 18.4 million and EUR 4.4 million);
- refinancing of Zlota Tower in Poland (EUR 24.9 million).

Repayments of bank loans (EUR -105.8 million) mainly related to the following operations:

- sale of the Luxembourg Plaza building (EUR -26.0 million);
- early repayments of Hospitality loans as the result of their refinancing (EUR -16.9 million);
- sale of Avenue Gardens in Hungary (EUR -11.7 million);
- repayments of loans linked to the sale of Vinhorady building portfolio (Anglicka 26, Belgicka 40, Londynska 41 and Manesova 28) for a total amount of EUR -9.9 million;
- repayment of one of the loan financing Mostecka project in the Czech Republic for EUR -6.8 million;
- repayment of some Suncani Hvar loans (EUR -3.9 million).

Transfers of bank loans (EUR -164.1 million) are due:

- to the reclassification of the bank loans related to the following projects:
  - Wertheim and Wasserstraße in Germany for respectively EUR -65.6 million and EUR -7.0 million;
  - Bubny in the Czech Republic for EUR -27.9 million;
  - City Gate and Dunaj in Slovakia for respectively EUR -16.7 million and EUR -12.7 million;
  - Szervita in Hungary for EUR -10.3 million.

Most of these projects will have to be refinanced within 12 months.

- to breaches on financial covenants for the bank loans financing the following projects: Reinhardtstraße (EUR -6.8 million), Brunnenstraße 156 and Invalidenstraße 112 (together EUR -6.7 million), Danzigerstraße 73-77 (EUR -5.5 million), Prenzlauer Allee (EUR -1.4 million), Jeremiasova (EUR -2.2 million), Wilhelm-Kuhr-Straße and Görschstraße 18 (EUR -1.3 million both). As the repayment for these loans can be requested at first demand, the non-current part is reclassified as current. Most of the breaches were related to the Loan to Value ratio (except for the Danziger Strasse loan). In the context of the restructuring program, the Group sold 3 out of the 8 assets in breach during the first semester 2009.

The issue of new other non-current loans (EUR 10.2 million) mostly represents the increase of equity loans for three projects of which the Group sold 25% of its shares (companies which hold Zlota Tower, Szoza Polka and Jozefoslaw projects). The total increase is EUR 8.1 million.

The repayments of other non-current loans are mainly due to the repayment of a part of the Profit Participating Loan (PPL) granted by AIG (EUR -7.0 million).

The long term portion of the loans financing the development projects classified as inventories amounts to EUR 175.2 million (EUR 63.7 million in 2007).

### 19.3 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. In 2009 the non-current bonds and financial debts amount to EUR 0.9 billion (in 2008 EUR 1.3 billion).

At 31 December 2009	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
<b>Non-current</b>						
<b>Bonds</b>		-	-	<b>258,720</b>	<b>150,677</b>	<b>409,397</b>
Convertible bonds	19.7	-	-	150,375	-	150,375
Exchangeable bonds	19.5	-	-	17,971	-	17,971
Fixed rate bonds	19.9 - 10	-	-	90,374	150,677	241,051
<b>Financial debts</b>		-	<b>18,492</b>	<b>392,094</b>	<b>74,048</b>	<b>484,634</b>
Bank loans		-	18,492	392,094	58,816	469,402
Fixed rate		-	2,599	17,932	9,768	30,299
Floating rate		-	15,893	374,162	49,048	439,103
Other non-current borrowings		-	-	-	14,110	14,110
Finance lease liabilities		-	-	-	1,122	1,122
<b>Total</b>		-	<b>18,492</b>	<b>650,814</b>	<b>224,725</b>	<b>894,031</b>
<b>Current</b>						
<b>Bonds</b>		<b>59,219</b>	-	-	-	<b>59,219</b>
Floating rate bonds	19.8	11,298	-	-	-	11,298
Fixed rate bonds	19.6	47,921	-	-	-	47,921
<b>Financial debts</b>		<b>595,776</b>	-	-	-	<b>595,776</b>
Bank loans		593,475	-	-	-	593,475
Bank loans fixed rate		99,798	-	-	-	99,798
Bank loans floating rate		493,677	-	-	-	493,677
Other borrowings		2,301	-	-	-	2,301
<b>Liabilities held for sale</b>		<b>51,451</b>	-	-	-	<b>51,451</b>
Bank loans floating rate		51,451	-	-	-	51,451
<b>Total</b>		<b>706,446</b>	-	-	-	<b>706,446</b>
<b>TOTAL</b>		<b>706,446</b>	<b>18,492</b>	<b>650,814</b>	<b>224,725</b>	<b>1,600,477</b>

At 31 December 2008	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
<b>Non-current</b>						
<b>Bonds</b>		-	<b>45,488</b>	<b>241,232</b>	<b>142,717</b>	<b>429,437</b>
Convertible bonds	19.7	-	-	135,044	-	135,044
Exchangeable bonds	19.5	-	-	19,395	-	19,395
Fixed rate bonds	19.9 - 10	-	45,488	86,793	142,717	274,998
<b>Financial debts</b>		-	<b>175,918</b>	<b>408,443</b>	<b>242,122</b>	<b>826,483</b>
Bank loans		-	175,918	406,533	210,967	793,418
Fixed rate		-	10,073	23,969	19,887	53,929
Floating rate		-	165,845	382,564	191,080	739,489
Other non-current borrowings		-	-	1,910	30,029	31,939
Finance lease liabilities		-	-	-	1,126	1,126
<b>Total</b>		-	<b>221,406</b>	<b>649,675</b>	<b>384,839</b>	<b>1,255,920</b>
<b>Current</b>						
<b>Bonds</b>		<b>11,075</b>	-	-	-	<b>11,075</b>
Floating rate bonds	19.8	11,075	-	-	-	11,075
Bonds		-	-	-	-	-
<b>Financial debts</b>		<b>298,761</b>	-	-	-	<b>298,761</b>
Bank loans		293,162	-	-	-	293,162
Bank loans fixed rate		13,658	-	-	-	13,658
Bank loans floating rate		279,504	-	-	-	279,504
Other borrowings		5,599	-	-	-	5,599
<b>Total</b>		<b>309,836</b>	-	-	-	<b>309,836</b>
<b>TOTAL</b>		<b>309,836</b>	<b>221,406</b>	<b>649,675</b>	<b>384,839</b>	<b>1,565,756</b>

The increase in current floating rate bank loans is mainly due to the transfer of breached loans in respect of Suncani Hvar, Franklinkstrasse, and main Budapest Bank for respectively EUR 41.1 million, EUR 29.4 million and EUR 19.6 million. In addition there was a transfer of Sky Office (EUR -65.2 million), Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); and Viterra (-2.7 million) loans which are due in 2010.

The fixed rate bond in current liabilities (EUR 47.9 million) was transferred from non-current bonds in 2009 as this is due to be repaid in 2010 (nil in 2008).

The other non-current borrowings relate mainly to 50% of the equity loan granted to Hospitality Invest S.à r.l. by AIG, the joint-venturer.

The Group has entered into interest rate derivatives representing 72.7% of the non-current floating rate borrowings (in 2008: 72.8%) and 35.7% of the current floating rate borrowings (in 2008: 51.3% ) in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 1.108 billion (1.087 billion as at 31 December 2008).

Held for sale liabilities in Current represent the loans in respect of Helberger, Stein, Budapest Bank, and Wasserstrasse which are classified as held for sale and accrued interests amounting to EUR 0.3 million.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	31 December 2009	31 December 2008
EUR	1,344,648	1,267,515
CZK	116,310	115,576
PLN	75,021	70,658
SKK	-	47,454
RUR	761	-
USD	48,867	53,343
HUF	270	-
HRK	14,600	11,210
<b>Total</b>	<b>1,600,477</b>	<b>1,565,756</b>

#### 19.4 Undrawn bank credit facilities

	31 December 2009	31 December 2008
Expiring within one year	98,064	63,383
Expiring after one year	34,771	238,200
<b>Total</b>	<b>132,835</b>	<b>301,583</b>

- **In 2009**

The decrease in undrawn credit facilities is due to three main factors:

- Amounts drawn in 2009 on Sky Office project in Germany (EUR -33.9 million), on H2 Office project in Germany (EUR -14.0 million), on Healthcare senior homes in Germany (EUR -20.7 million), on Zlota 44 in Poland (EUR -4.7 million), on Na Porici and on Kosic (phase 2) in Czech Republic (respectively EUR -6.8 million and EUR -4.4 million).
- The sales of City Gate in Slovakia and Origo Project in Hungary had undrawn credit facilities of EUR 58.3 million as at December 2008.
- EUR -39.0 million of the undrawn credit facilities in 2008 expired in 2009.

There are also expanded credit lines in 2009 mainly for Sky Office in Germany (EUR 18.7 million), Targowek / Malborska (EUR 6.7 million), and Suncani Hvar (EUR 3.6 million).

- **In 2008**

The decrease in undrawn credit facilities is mainly due to amounts drawn in 2008 for the following projects:

- Sky Office project in Germany (EUR -46.8 million);
- Zlota Tower in Poland (EUR -24.9 million);
- Na Porici and Kosic (phase 2) in Czech Republic (respectively EUR -9.9 million and EUR -6.0 million).

There are also new contracted credit lines in 2008, mainly for the following projects:

- Origo Film Studios in Hungary (EUR 41.0 million);
- H2 Office in Germany (EUR 17.1 million).

### 19.5 Exchangeable bonds in Suncani Hvar shares

The acquisition of Suncani Hvar dd has been financed by a private placement of an exchangeable bond issued by the Company under the following terms:

#### **Bonds**

Nominal	EUR 24,169,193.39
Issue price	EUR 26.03
Issue date	30 June 2005
Nominal interest rate	5.5 %
Exchange at the discretion of bondholder	between 1 July 2010 and 11 June 2012 in Suncani Hvar dd share, one share for one bond.
Repayment date	the non exchanged bonds will be reimbursed at nominal value in cash on 30 June 2012
ISIN	XS0223586420
Listing	Luxembourg Stock Exchange

As at 31 December 2009, no bond had been exchanged.

The funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a long term derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The derivative component of EUR 0.7 million (EUR 1.4 million in 2008), classified in non-current financial obligations, represents the market value of the call options embedded in the bond. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

<b>Balance at 31 December 2007</b>	<b>20,628</b>
Interest accumulated during the period	156
Own bonds	-1,389
<b>Balance at 31 December 2008</b>	<b>19,395</b>
Interest accumulated during the period	123
Own bonds	-1,548
<b>Balance at 31 December 2009</b>	<b>17,970</b>

As at 31 December 2009, the market price of Hvar dd shares on the Zagreb Stock Exchange was HRK 29.50 (HRK 39.90 at 31 December 2008). From issue date to 31 December 2009, the Group has repurchased 225,081 exchangeable bonds (164,081 as at 31 December 2008).

### 19.6 Bonds with repayable subscription warrants ("OBSAR 1")

Orco Property Group launched an exchange offer on the 2012 callable warrants (BSAR 2012) (ISIN code: LU0234878881). Each holder of warrants was entitled to elect to receive, for every 3 BSAR 2012, 1 new share of the Company and 3 new BSAR 2014 (ISIN code: XS0290764728). The prospectus of the exchange offer on the 2012 callable warrants of the Company was approved by the Commission de Surveillance du Secteur Financier (CSSF) on 22 October 2007. The offer closed on 16 November 2007 with 1,077,861 2012 callable warrants tendered into the offer (success rate of 98.07%).

As a consequence:

- 359,287 new shares have been issued.
- 1,077,861 new 2014 callable warrants (exercise price of EUR 146.39) have been issued. The number of warrants reaches 2,871,021. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2014 callable warrant exercised at EUR 146.39 in 2014. Refer to note 19.9 for amendments on BSAR 2014. The resolution was approved by 95.11% of the warrant holder present (out of which 91.7% were represented by key management personnel) with over 50% of warrant holders present or represented.
- The number of existing 2012 callable warrants (exercise price of EUR 68.61) is thus reduced to 21,161. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2012 callable warrant exercised at EUR 68.61.

#### **Bonds**

Nominal	EUR 50,272,605.30
Number of bonds	73,273
Nominal value per bond	EUR 686.10
Issue price per bond	EUR 682.38
Redemption	18 November 2010
Normal Redemption	at par, EUR 686.10 per bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group S.A. share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is equal to or greater than the Exercise Price of the Redeemable Share Subscription Warrants,  at 120% of par, that is EUR 823.32 per Bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is less than the Exercise Price of the Redeemable Share Subscription warrants.
Early Redemption	Option for the Group to redeem all bonds at 120% of the par value on any Interest Payment Date subject to one month's notice to bearers before the early redemption date.
Nominal interest rate	4.5%
ISIN	FR0010249599
Listing	Euronext - Paris

#### **Warrants**

Number of warrants	21,161 (corresponding to an initial ratio of 15 warrants/issued bond)
Exercise ratio	one warrant gives the right to 1.03 share
Exercise price	EUR 68.61
Exercise period	until 18 November 2012
Early repayment	From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01 if the average share price over the last 10 days preceding 19 November 2007 is higher than EUR 96.05.



ISIN LU0234878881  
 Listing Euronext - Paris

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 3.7 million reduced by EUR 2.4 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 6.8 million (EUR 5.5 million in 2008), classified in non-current liabilities under the caption Derivative Instruments, represents the market value of the redemption premium granted to the bondholder if the average market price of Orco shares does not reach a certain level before the repayment date. This derivative is revalued at its market value at each closing through the income statement. The external valuer used a credit spread of 55.34%. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance as at 31 December 2007	43,208
Interest accumulated during the period	2,280
Balance as at 31 December 2008	45,488
Interest accumulated during the period	2,433
Balance as at 31 December 2009	47,921

### 19.7 Convertible bonds 2006-2013

#### Bonds

Nominal	EUR 149,999,928
Number of bonds	1,086,956
Nominal value per bond	EUR 138.00
Issue price per bond	at par value, EUR 138.00
Redemption price if not converted	138.62% of par at EUR 191.29; i.e. a gross yield-to-maturity of 5.65%
Nominal interest rate	1.0%
Normal Redemption	the non converted bonds will be reimbursed in cash on 31 May 2013.
Conversion ratio	One new share for one bond
Issuance date	01 June 2006
Early Redemption	Subject to the one month's notice to bearers before the early redemption date, the Company may redeem all bonds from 1 July 2008 under the condition that the share price of Orco Property Group exceeds 130 % of the issue price during 30 consecutive days after 1 June 2008. The bondholders who did not convert within 30 days will, on top of the par and accrued interest, receive a reimbursement premium giving them a 5.65 % IRR.

ISIN	FR0010333302
Listing	Euronext – Paris

<b>Balance as at 31 December 2007</b>	<b>129,762</b>
Interest accumulated during the period	13,599
Own Bonds purchased	-8,317
<b>Balance as at 31 December 2008</b>	<b>135,044</b>
Interest accumulated during the period	14,131
Own bonds reissued	1,200
<b>Balance as at 31 December 2009</b>	<b>150,375</b>

As at 31 December 2009, no bond had been converted.

The funds raised with this convertible bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 27.3 million reduced by EUR 8.3 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the call options embedded in the convertible bond.

As disclosed above, the terms of the issuance include a redemption premium to be paid by the Group if the bond is not converted. In accordance with IAS 32 prescriptions, this premium is amortized as interest over the lifetime of the bond.

In 2009 Orco Property Group sold 76,279 bonds on the open market for a total consideration of EUR 1.2 million and as at 31 December 2009 holds no bonds (76,279 in 2008).

#### **19.8 CZK 1.4 billion floating rate bond (“Czech Bond”)**

##### **Bonds**

Nominal	CZK 1,400,000,000
Number of bonds	140
Nominal value	CZK 10,000,000
Issue price	CZK 10,000,000
Nominal interest rate	6M Pribor + 2.20%
Issuance date	03 February 2006
Final redemption date	03 February 2011
ISIN	CZ0000000195
Listing	Prague Stock Exchange

<b>Balance as at 31 December 2007</b>	<b>52,206</b>
Interest accumulated during the period	321
Repayment	-38,742
Translation differences	-2,710
<b>Balance as at 31 December 2008</b>	<b>11,075</b>
Interest accumulated during the period	26
Translation differences	196
<b>Balance as at 31 December 2009</b>	<b>11,297</b>

The prospectus related to the Czech Bond has been approved on 26 January 2006 by the Securities Commission of the Czech Republic (the "Czech Bond Prospectus"). There are 2 Czech Rating Agencies (the "CRA") ratings outstanding at the date of the issuance of the Czech Bonds: "czP-2" for the long term international CRA rating and "czA-" for the long term local CRA rating. Furthermore the Czech Bond Prospectus states that if CRA withdraws the above-mentioned ratings, the Company shall ask a well-known rating agency in the Czech Republic to issue a rating within 6 months. If CRA or any other rating agency issues a long-term international CRA rating below "investment grade i.e. Baa-" or a long term local CRA rating below "investment grade i.e. czBaa-", any investor in the Czech Bonds may call for the reimbursement of its bonds. The reimbursement would then be due on the last business day of the month following the month of the reimbursement request. On the Company's initiative, Moody's International has issued two ratings: "B2" and "Baa3cz". Since its complete integration within Moody's, CRA cannot issue international ratings any more, but merely local ratings. However, the scale established by CRA in the Czech Bond Prospectus, setting the minimum threshold to "investment grade" for international rating does not fit with the Moody's "investment grade" level. Hence, there is a comparability technical default in relation to the Czech Bonds.

No new bonds have been issued in 2009.

Based on requests for early redemption received from individual holders following the downgrade of rating by Moody's, the Group has reimbursed 110 bonds (out of 140 outstanding) amounting to 1,100,000,000 CZK (EUR 40.8 million in 2008). Out of the 30 remaining bonds, reimbursement requests have been received for 27 bonds in 2009.

See note 3.2 for covenants and note 34 explaining the non-repayment of the balance in 2009 due to the "Procédure de Sauvegarde".

### 19.9 Bonds with repayable subscription warrants (“OBSAR 2”)

Refer to the note on the OBSAR 1 concerning the exchange offer relative to the 2012 callable warrants.

On December 16, 2009, a general meeting of the holders of warrants 2014 was held and approved the following changes proposed by the Company to permit the exchange of warrants for shares and/or redemption of the bonds by the company prior to 2014:

#### Amendments applicable until February 15, 2010

Each warrant 2014 shall entitle the holder to acquire 8.7 existing shares and/or subscribe to 8.7 new shares at the exercise price of EUR 60.9 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time until February 15, 2010 at a unit price of EUR 0.01 subject to the following conditions:

- the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR 87 for the first tranche being one third of outstanding warrants; EUR 130.5 for the second tranche being half of outstanding warrants; and EUR 174 for the remaining outstanding warrants.

#### Amendments applicable after February 16, 2010

Each warrant 2014 shall entitle the holder to acquire 1.6 existing shares and/or subscribe to 1.6 new shares at the exercise price of EUR 11.2 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time as from February 16, 2010 at a unit price of EUR 0.01 subject to the following conditions:

- the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR 16 for the first tranche being one third of outstanding warrants; EUR 24 for the second tranche being half of outstanding warrants; and EUR 32 for the remaining outstanding warrants.

The resolution was approved by 95.11% of warrant holders (out of which 91.7% were represented by key management personnel) present with over 50% of warrant holders present or represented.

### **Bonds**

Issuer	Orco Property Group S.A.
Nominal	EUR 175,000,461.60
Number of bonds	119,544
Nominal value per bond	EUR 1,463.90
Issue price per bond	EUR 1,421.45
Redemption	28 March 2014
Redemption price	117.5% of par at EUR 1,720.08, i.e. a gross yield-to-maturity of 7.383%.
Nominal interest rate	2.5%
ISIN	XS0291838992 / XS0291840626
Listing	Euronext - Brussels

### **Creditors in respect of the share subscription options maturing in 2014**

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

**Warrants**

Number of warrants	1,793,160 at issuance (corresponding to 15 warrants/issued bond) 2,871,021 after the public exchange offer on the OBSAR 1
Exercise ratio	one warrant gives the right to 1.03 share (before amendments)
Exercise price	EUR 146.39 (before amendments)
Exercise period	until 28 March 2014
Early repayment	From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds EUR 190.31 (before amendments).
ISIN	XS0290764728
Listing	Euronext - Brussels Euronext - Paris

The funds raised with this bond have been, at issuance, divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 23.9 million reduced by EUR 2.4 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond.

<b>Balance at 31 December 2007</b>	<b>143,575</b>
Interest accumulated during the period	8,094
Own bonds	-8,952
<b>Balance at 31 December 2008</b>	<b>142,717</b>
Interest accumulated during the period	8,700
Own bonds	-740
<b>Balance at 31 December 2009</b>	<b>150,677</b>

As at 31 December 2009 Orco Property Group owned 8,533 bonds (8,533 in 2008) whose value has remained constant EUR 1,421.45 (EUR 1,421.45 as at 31 December 2008).

**19.10 Bonds with repayable subscription warrants ("OBSAR OG")****Bonds**

Issuer	Orco Germany SA
Nominal	EUR 100,100,052
Number of bonds	148,077
Issue price per bond	at par value, EUR 676
Maturity date	30 May 2012
Redemption price	at 100% or at 125% of par, depending on the occurrence of specific external events, namely the market price of Orco Germany S.A.
Nominal interest rate	4%
ISIN	XS0302623953
Listing	Luxembourg Stock Exchange

**Warrants**

Number of warrants	9,328,851 (corresponding to 63 warrants/issued bond)
Exercise ratio	one warrant gives the right to one share
Exercise price	EUR 16.90 or 125% of the reference share price of Orco Germany S.A. if the latter is lower than EUR 13.52 per share
Exercise period	30 May 2007 until 30 May 2014
Early repayment	From 30 May 2010, the issuer may, upon notice to the warrant holders, redeem the warrants at EUR 0.01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceding period of 30 consecutive dealing days
ISIN	XS0302626899
Listing	Luxembourg Stock Exchange

The funds raised with this bond have been, at issuance, divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 13.5 million reduced by EUR 3.7 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 8.5 million (EUR 7.6 million in 2008) classified in non-current financial liabilities under Derivative Instruments, represents the market value of the redemption premium granted to the bondholders if the average market price of Orco Germany shares does not reach a certain level before the repayment date. The external valuer used a credit spread of 55.34%. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Balance as at 31 December 2007	83,432
Interest accumulated during the period	3,361
Balance as at 31 December 2008	86,793
Interest accumulated during the period	3,581
Balance as at 31 December 2009	90,374

As at 31 December 2009 Orco Property Group owned 550,000 warrants (2,937,331 in 2008).

### 19.11 Derivatives

Derivative instruments are presented within other current assets when fair value is positive, in other current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

Derivatives used by the Group include interest rate derivatives, foreign exchange forward contracts, share derivatives and embedded derivatives on bonds.

Share derivatives represent call options on Suncani Hvar shares corresponding to the options issued with exchangeable bonds (see note 19.5).

Embedded derivatives on bonds correspond to the derivatives embedded on the OBSAR (see notes on the specific bonds 19.6 and 19.10).

Orco Property Group uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates.

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates. As at 31 December 2009 the total debt covered by interest rate swaps and collars amounts EUR 495.7 million (EUR 738.6 million in 2008) or 53.2% of the floating rate debt (71.7% in 2008).

Foreign exchange derivatives include agreements to buy or sell a quantity of currency at a predetermined future date and rate. Orco Property Group uses foreign exchange derivatives in PLN to cover financing needs for the development of Poland.

	31 December 2009	31 December 2008
Interest rate derivatives	255	260
Forex derivatives	2,440	4,838
<b>Total current assets</b>	<b>2,695</b>	<b>5,098</b>
Share derivatives	702	1,430
Embedded derivatives on bonds (see note 19.9)	8,587	13,487
<b>Total non-current liabilities</b>	<b>9,289</b>	<b>14,917</b>
Forex derivatives	-	2,748
Embedded derivatives on bonds (see note 19.5)	6,817	-
Interest rate derivatives	37,563	35,634
<b>Total current liabilities</b>	<b>44,380</b>	<b>38,382</b>
<b>Net derivatives</b>	<b>-50,974</b>	<b>-48,201</b>

The Forex derivatives in current liabilities in 2008 expired in April 2009 with a final settlement amount of 1.3MEUR. This has yet to be paid and is recognized in other liabilities.

### 19.12 Capitalised interests on inventories and properties under development

	31 December 2009	31 December 2008
Inventories	7,779	14,745
Properties under construction	2,736	7,371
<b>Capitalised interests</b>	<b>10,515</b>	<b>22,116</b>

### 19.13 Average effective interest rates (current and non current)

	31 December 2009						
	EUR	CZK	SKK	HUF	PLN	HRK	USD
Bonds	9.05%	4.52%	-	-	-	-	-
Bank borrowings	4.81%	3.99%	-	7.30%	6.41%	4.65%	5.54%

  

	31 December 2008						
	EUR	CZK	SKK	HUF	PLN	HRK	USD
Bonds	8.25%	6.20%	-	-	-	-	-
Bank borrowings	3.82%	5.52%	4.62%	-	7.31%	4.18%	5.03%

### 19.14 Minimum lease payments

	31 December 2009	31 December 2008
Future rent more than 5 years	3,756	3,803
Future rent up to 5 years	504	514
Future finance charges on finance leases	-3,138	-3,191
<b>Present value of finance lease liabilities</b>	<b>1,122</b>	<b>1,126</b>

## 20. Provisions & other long term liabilities

This caption includes other long term liabilities for EUR 2.0 million (EUR 13.0 million in 2008) representing mainly retention on general contractors' invoices when applicable. The provisions amount of EUR 15.0 million in 2009 (compared to EUR 16.6 million in 2008) includes mainly provisions accumulated to cover the Group's retirement benefit obligation as detailed hereafter. No provision for restructuring is booked in 2009 (EUR 3.2 million in 2008).

#### Retirement benefit obligation:

In the Group, only Orco Projektentwicklungs GmbH (formerly Viterra Development GmbH) and Viterra Baupartner GmbH (acquired in 2006) have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet.

	31 December 2009	31 December 2008
Present value of unfunded obligations	8,661	7,964
Unrecognised actuarial gains	1,136	1,827
<b>Liabilities in the balance sheet</b>	<b>9,797</b>	<b>9,791</b>

The movement in the defined obligation over the year is as follows:

	2009	2008
<b>Beginning of the year</b>	<b>7,964</b>	<b>7,934</b>
Current service cost	26	85
Interest cost	455	426
Actuarial gains	617	-90
Benefits paid	-400	-391
<b>End of the year</b>	<b>8,662</b>	<b>7,964</b>



**The principal actuarial assumptions used were as follows:**

	31 December 2009	31 December 2008
Discount rate	5.25%	5.85%
Future salary increases	2.75%	2.75%
Future pension increases	2.00%	2.00%
Corridor	10.00%	10.00%

**21. Current financial liabilities**

Current financial liabilities as at 31 December 2009 are presented below and do not include derivatives instruments:

At 31 December 2009	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	364,688	58,091	232,216	654,995
Trade payables	12,162	16,242	5,076	33,480
Advance payments	11,533	3,519	38,160	53,212
Other current liabilities	34,349	47,214	10,549	92,112
Liabilities held for sale	42,982	8,469	-	51,451
<b>Total</b>	<b>465,714</b>	<b>133,535</b>	<b>286,001</b>	<b>885,250</b>

At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	41,124	122,327	146,385	309,836
Trade payables	41,064	9,206	9,247	59,517
Advance payments	5,532	7,684	47,904	61,120
Other current liabilities	10,338	44,879	30,206	85,423
<b>Total</b>	<b>98,058</b>	<b>184,096</b>	<b>233,742</b>	<b>515,896</b>

The other current liabilities excluded in this table (as not being part of the IFRS definition of financial instruments) represent tax, payroll and social liabilities for EUR 16.6 million.

The overall increase in financial debts is mainly due to transfers of breached loans (EUR 365.9 million of loans with breach covenants as at 31 December 2009) and EUR 47.9 million bonds which fall due in November 2010. The related amount of accrued interests on loans in breach amounts to EUR 3.2 million.

**22. Employee Benefits**

	2009.12	2008.12
Salaries	-40,118	-46,029
Social security expenses	-6,668	-6,736
Pension costs	-833	-860
Stock options	-	-
Training charges	-226	-378
Employee benefits	-499	-3,815
Other personnel related charges	-942	-1,524
<b>Total salaries and employee benefits</b>	<b>-49,286</b>	<b>-59,342</b>

## 23. Other operating expenses

	31 December 2009	31 December 2008
Leases and rents	-4,640	-6,007
Building maintenance and utilities supplies	-29,863	-32,546
Marketing and representation costs	-6,434	-14,368
Administration costs	-26,938	-30,590
Taxes other than income tax	-6,529	-7,333
Other operating expenses	-1,899	-8,416
<b>Total</b>	<b>-76,303</b>	<b>-99,260</b>

## 24. Foreign exchange result

	31 December 2009	31 December 2008
Foreign exchange result from revaluation of investment property	-954	4,046
Other foreign exchange result	5,640	-25,240
<b>Total</b>	<b>4,686</b>	<b>-21,194</b>

## 25. Other net financial results

	31 December 2009	31 December 2008
Change in carrying value of liabilities at amortised cost (1)	17,972	-
Change in fair value and realised result on derivative instruments (2)	-2,241	-24,868
Change in fair value and realised result on other financial assets (3)	-43,712	-13,831
Other net finance charges (4)	-8,719	-3,140
<b>Total</b>	<b>-36,700</b>	<b>-41,839</b>

- (1) The non eliminated part of one loan granted to the Hospitality joint venture has been valued at amortised cost on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at inception of the equity loan. A gain has been recognised for EUR 18.0 million.
- (2) Change in the fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Group and in fair value of other derivatives (IRS, options and forwards). Please refer to note 19 and note 4.1 for further details.
- (3) Change in the fair value of other financial assets essentially relates to financial assets at fair value through profit and loss. It relates to:
- Investment in Endurance Fund compartments for EUR -19.8 million, of which EUR 2.5 million linked to a liquidity discount applied of 20%.
  - The non eliminated part of two loans granted to the Hospitality joint venture has been fair valued on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at closing date. A loss has been recognised for EUR 22.9 million.
- (4) Other net finance charges consist primarily of restructuring fees, bank charges, overdrafts, and an impairment (EUR -1.4 million) of loan receivable from Vignette investment.

## 26. Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes laid by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

	December 2008	Scope Variation	Variation	Other	Change in %	December 2009
Intangible assets	-2,151	-	-1	-	-	-2,152
Tangible assets	-142,093	2,748	50,308	-	114	-88,923
Financial assets	3,072	-502	963	-	-50	3,483
Inventories	-6,540	1,308	11,703	-	-209	6,262
Current assets	-3,930	385	-1,101	-870	-360	-5,876
Equity	-1,277	-	2	-53	34	-1,294
Provisions	-196	-	2,166	-495	-114	1,361
Long term debts	-16,151	863	4,550	-187	-751	-11,676
Current debts	4,422	-	2,078	-45	-37	6,418
Recognized loss carry forward	4,292	-	-9,458	-	80	-5,086
<b>Total deferred taxes</b>	<b>-160,552</b>	<b>4,802</b>	<b>61,210</b>	<b>-1,650</b>	<b>-1,293</b>	<b>-97,483</b>
Deferred tax assets	7,352					3,742
Deferred tax liabilities	-167,904					-101,225

  

	December 2007	Scope Variation	Variation	Other	Translation differences	Change in %	December 2008
Intangible assets	-2,040	-	115	-84	17	-159	-2,151
Tangible assets	-231,589	5,855	47,008	26,420	936	9,277	-142,093
Financial assets	701	50	1,315	1,076	5	-75	3,072
Inventories	-3,871	34	11,399	-15,324	598	624	-6,540
Current assets	-17	3	-3,019	-584	2	-315	-3,930
Equity	1,441	-	-1,375	-1,308	6	-41	-1,277
Provisions	101	33	-523	193	4	-4	-196
Long term debts	-17,459	118	718	249	86	137	-16,151
Current debts	-	-29	4,517	-38	-5	-23	4,422
Recognized loss carry forward	22,541	-305	-9,684	-8,032	-155	-73	4,292
<b>Total Deferred taxes</b>	<b>-230,192</b>	<b>5,759</b>	<b>50,471</b>	<b>2,568</b>	<b>1,494</b>	<b>9,348</b>	<b>-160,552</b>
Deferred tax assets	13,748						7,352
Deferred tax liabilities	-243,940						-167,904

	December 2009	December 2008
<b>Loss before tax</b>	<b>-364,374</b>	<b>-514,413</b>
Tax calculated at domestic rates applicable to profits in the respective countries	-89,339	-118,729
Tax effects of:		
Untaxed gains or losses	1,569	3,908
Undeductible charges and interests	3,066	11,431
Unrecognised loss carry forward	33,388	60,757
Other income tax	-132	-
Profits with another applicable tax rate	-	1
Remeasurement of deferred tax - change in tax rates	1,292	-7,766
Adjustments from previous years	1,298	-197
<b>Tax benefit</b>	<b>-48,858</b>	<b>-50,595</b>

- In 2009**

The income tax rates in the Group vary from 16% in Hungary up to an average of 33.33% in France.

In 2009, the theoretical tax rate is 24.52% (23.08% in 2008) and the effective tax rate of the period is 13.41% (2008: 9.84%). The

income tax benefit recognized in the income statement amount to EUR 48.9 million and composed of EUR 8.1 million of current income tax expenses and EUR 57.0 million of deferred income taxes gain arising essentially from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 62.0 million).

Compared to 2008, some changes have been made on the following applicable tax rates, due to new tax legislation:

	Income Tax Rates		Deferred Income Tax rates	
	2009	2008	2009	2008
Croatia	20.00%	20.00%	20.00%	20.00%
Czech Republic	20.00%	21.00%	19.00%	20.00%
France	33.33%	33.33%	33.33%	33.33%
Germany	30.17%	30.17%	30.17%	30.17%
Hungary	16.00%	16.00%	19.00%	16.00%
Luxembourg	30.84%	29.00%	30.84%	29.00%
Poland	19.00%	19.00%	19.00%	19.00%
Russia	20.00%	20.00%	20.00%	20.00%
Slovakia	19.00%	19.00%	19.00%	19.00%

- In 2008**

The income tax rates in the Group vary from 16% in Hungary up to an average of 33.33% in France.

In 2008, the theoretical tax rate is 23.08% (31.95% in 2007) and the effective tax rate of the period is 9.84% (2007: 2.27%). The income tax benefit recognized in the income statement amount to EUR 51.0 million and composed of EUR 8.9 million of current income tax expenses and EUR 59.9 million of deferred income taxes gain arising from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 62.0 million).

## 27. Earnings per share

	31 December 2009	31 December 2008
<b>At the beginning of the year</b>	<b>10,818,000</b>	<b>10,687,392</b>
Shares issued	10,943,866	10,836,794
Treasury shares	-125,866	-149,402
<b>Weighted average movements</b>	<b>-86,039</b>	<b>-115,772</b>
Issue of new shares	0	63,070
Treasury shares	-86,039	-178,842
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	<b>10,731,961</b>	<b>10,571,620</b>
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	<b>10,731,961</b>	<b>10,571,620</b>
<b>Net loss attributable to the Equity holders of the Company</b>	<b>-250,564</b>	<b>-390,560</b>
<b>Net loss attributable to the Equity holders of the Company after assumed conversions / exercises</b>	<b>-250,564</b>	<b>-390,560</b>
Basic earnings in EUR per share	-23.35	-36.94
Diluted earnings in EUR per share	-23.35	-36.94

Basic earnings per share is calculated by dividing the loss attributable to the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

In December 2009, 833 084 Warrants have been attributed to Management (see note 31 on IAS 24 – Related Parties).

## 28. Equity holders

### Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2007	10,836,794	44,431	395,762
Dividend paid in shares	107,072	439	4,762
Balance at 31 December 2008	10,943,866	44,870	400,524
Balance at 31 December 2009	10,943,866	44,870	400,524

All the shares of the Company are of equal value. Each share is entitled in the profits and corporate capital to a prorate portion of the percentage of the corporate capital it represents, as well as to a voting right and representation at the time of General Meeting, the whole in accordance with statutory and legal provisions.

- **2009**

No movement occurred in 2009 on share capital or share premium.

- **2008**

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

The Board of Directors has been authorised and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 08 July 2013.

A total of EUR 44,869,850.60 has been used to date under this authorisation. As such, the Board of Directors still has a potential of EUR 255,130,150.60 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 62,226,866, new shares may still be created.

During the year, the Group repurchased 67,184 shares for an amount of EUR 4.1 million and sold 116,765 shares for an amount of EUR 1.9 million.

Part of the dividend distributed during the period has been reinvested in capital.

#### Callable warrants on OPG shares

On 18 February 2008, the Board of Directors has decided to decrease the strike price of the 2014 callable warrants (ISIN code: XS0290764728) from EUR 143.39 to EUR 100.00. As at 31 December 2009, no warrants have been exercised (none in 2008).

#### Convertible bonds

See note 19.7

#### Repayable subscription warrants

See notes 19.6, 19.9 and 19.10

#### Employee stock options

No new stock option plan has been granted in 2009.

On 3 March 2006, a stock option plan was granted to employees under the following conditions:

Exercise price:	EUR 75.6 per share
Exercise period:	from 3 March 2007 until 3 March 2012
Total number of options:	350,000

In accordance with IFRS 2 share-based payments, the total theoretical and non-cash cost of EUR 9.1 million has been estimated

and is amortized in the income statement under the Employee benefit caption over the one year vesting period. This fair value was determined using the Black-Scholes valuation model. The significant input into the valuation model were share price of EUR 72.15 at grant date, exercise price as stated above, risk-free interest rate Euribor.

Movements in the number of share options:

	2009		2008	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
<b>Outstanding at the beginning of the year</b>	<b>75.60</b>	<b>63,000</b>	<b>75.60</b>	<b>63,000</b>
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-3,000	-	-
<b>Outstanding at the end of the year</b>	<b>75.60</b>	<b>60,000</b>	<b>75.60</b>	<b>63,000</b>

### Dividends per share

The Board of Directors has decided to not propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the year 2009.

The dividends paid in 2008 and 2007 were EUR 14.9 million (EUR 1.40 per share) and EUR 8.6 million (EUR 1.00 per share) respectively.

### PACEO

On 12 April 2006, Orco Property Group S.A. and Société Générale in Paris ("SG") have arranged a new Step-up Equity Subscription. It allows the Group to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 31 December 2006, the Company has issued 450,000 new shares for a total amount of EUR 43.8 million.

In 2007, no shares have been issued under the existing PACEO program. As at 31 December 2007, the program is still open for the issue of 550,000 new shares until 12 April 2008.

On 13 August 2008 the Group has concluded with Société Générale a third PACEO in the overall limit of 2,000,000 new shares over a period of 24 months through the issuance of unlisted share subscription rights (Bon d'Emission d'Actions or BEA). The exercise of each BEA obliges Société Générale to subscribe to one of Orco Property Group's common shares. As at 31 December 2009, no BEA have been exercised and as a result no new shares have been issued.

## 29. Contingencies

The Group has given guarantees in the ordinary course of business, more specifically on the residential units delivered. Such guarantees are internally covered by the guarantees granted by the general contractor.

As at the date of publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability.

## 30. Capital and other commitments

### • Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at December 2009, the remaining balances to be called amount to:

- EUR 13.5 million out of EUR 21.9 million subscribed for the residential sub-fund (EUR 13.5 million in 2008);
- EUR 3.4 million out of EUR 27.0 million subscribed for the office sub-fund (EUR 4.3 million in 2008);
- EUR 28.8 million out of EUR 30.0 million subscribed for the office II sub-fund (EUR 28.8 million in 2008).

- As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at December 2009 amount to EUR 0.6 billion (EUR 0.8 billion in 2008). This does not take into account the potential investments in future projects on land bank like Bubny in Prague, Wertheim in Berlin or hotels to be refurbished in Suncani Hvar.

- End of 2007, the Group entered into an agreement for the acquisition of a retail building under construction to be delivered in 2009. This engagement of USD 300 million is covered by an advance payment of USD 25 million. This advance payment recorded in the consolidated financial statements as a long term receivable was fully impaired as at December 2008.

- Bank loans covenants (see note 3.3 and 19.2)
- Other commitments

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

### 31. Related party transactions

- **Transactions with key management personnel**

- (a) Remuneration of key management personnel

The members of the Executive Committee are considered as the key management personnel of Orco Property Group. In 2008 until February 2009 it was made of 20 people. After the restructuring of the group management and the alignment of its structure with the business lines, the Executive Committee has been reduced to six executive managers.

The global consideration given as short term employee benefit to the members of the Executive Committee amounted to EUR 4.5 million as at 31 December 2009 (EUR 6.4 million in 2008), out of which EUR 2.8 million relate to former executive committee members with EUR 0.6 million as severance payment and EUR 0.2 million will only be paid at the termination of the contract of current executive board members.

Beginning of 2008, the Board decided to grant an attendance fee of EUR 5,000 only to non-executive members. End of 2008, the Board decided unanimously to cancel all attendance fees related to the year 2008.

In November 2009, the Board of Directors of the Company decided to modify the remuneration plan for board, committee and general meeting attendances that applies to all Board members except the management who is paid by the Company. According to the remuneration plan, a compensation of €1,000 is granted to each Board member and Committee member for the attendance to all physical Board and Committee meetings. A compensation of €1,500 is granted to the Committee president for the attendance as president to all Committee meetings. €4,500 is granted to compensate the President presiding an ordinary and extraordinary general meeting of shareholders and such compensation is retroactively applied to January 2009. All other compensations are retroactively applied to July 1, 2009 and amount to EUR 50,500 for 2009, including presidency compensations. In respect of the bylaws requiring that each Board member must hold at least one share of the Company, one share has been granted for free to each Board member that was not holding previously the required share.

Based on the Remuneration and related parties committee dated November 17, 2009 and following a decision of Board of Directors of the Company taken on November 18, 2009, the Company attributed in December 2009 an aggregate amount of 833,084 warrants 2014 (ISIN: XS0290764728) issued by the Company ("Company warrants") and an aggregate amount of 1,598,000 warrants (ISIN: XS0302626899) issued by its subsidiary Orco Germany S.A. ("Orco Germany warrants") as an incentive remuneration to the three executive Board Members for a total amount of EUR 990 thousand. This incentive remuneration has been paid to the above mentioned executive Board Members as a result of their commitment and achievements in restructuring OPG through the past year. For the purpose of such attribution, on the basis of external advice, the Board of Directors has taken in consideration 1) the market value of the instruments amounting to EUR 1.22 for the Orco Property Group 2014 warrant; 2) the intrinsic value of the warrants based on the underlying Company stock price as at November 17, 2009 which priced the Orco Property Group 2014 warrant at EUR 1,17 and the Orco Germany warrant at EUR 0,01; and 3) the very low trading liquidity of those instruments. The transaction has been recorded as an expense under employee benefits for a total amount of EUR 3.5 million on the basis of a fair value report prepared by an external consultant pricing Orco Property Group 2014 warrant at EUR 4.21 and Orco Germany warrant at EUR 0.01 at the date of November 18, 2009.

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

The stock options granted to the employees are detailed in note 28.

- (b) Loans and advances with key management personnel

On December 4, 2008, the Company has granted a seller's financing of EUR 1.4 million (which is fully impaired as of 31 December 2009 as a result of the termination of the consulting contract with that company) to Vignette Investissements S.A., a French company managed by Keith Lindsay, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company,

incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance is granted for a period of 7 years ending on December 31, 2015 and bears an interest rate of 5% per year payable annually.

On 18 July 2007, CJSC MOPT(s)R-MOLCOM, a subsidiary of the Company, has granted a loan RUR 28 million to one of its Director (equivalent EUR 0.7 million as at December 31, 2008 and EUR 0.8 million as at 31 December 2007). Considering the addendum dated 21 January 2009, this loan has a maturity date on 21 January 2012 and bears an interest rate of 10% per year payable at repayment date. The loan of RUR 28 million has been repaid by the Director to CJSC MOPT(s)R-MOLCOM on 20 August 2009.

On 15 May 2008, the Company granted a loan of USD 825,000 to Urso Verde S.A., a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of May 15, 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a forest in Chile in order to launch an 'Endurance forest fund' in conjunction with Orco and the Endurance Fund, which failed due to the current financial context. On 30 April 2009, Urso Verde S.A. pledged 90 660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt (collateralized debt) and the Company exercised its pledge on 15 June 2009. On 28 and 31 August 2009, the Company sold 90,000 of the shares for an aggregate amount of EUR 812,250 (sale proceeds). Pursuant to the Share Pledge Agreement, the shares remaining after Urso Verde S.A.'s debt has been reduced to zero shall be returned unencumbered. Urso Verde S.A. requested return of the surplus EUR 132,298 in the form of shares. The Company has not returned the shares to Urso Verde S.A..

On 22 February 2007, the Company has granted a loan of EUR 216,068 to OTT&CO S.A. (previously Orco Holding). This loan had a maturity date on 1st March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 31 December 2009, this loan (nominal and interests) had not been repaid (the "OPG Receivable").

On 24 March 2010, Urso Verde S.A., OTT & CO S.A. and the Company have agreed to restructure their debts described in the previous two paragraphs. The Company and Urso Verde S.A. agreed, that the Company shall return to Urso Verde S.A. surplus of EUR 132,298 left after sale of the shares in cash instead of returning of the shares, and that this amount shall bear an interest of 9% per year from 1 September 2009 until repayment (the "Urso Verde Receivable"). On 24 March 2010, Urso Verde S.A. assigned the Urso Verde Receivable amounting to a total of EUR 138,985 (EUR 132,298, plus interest of EUR 6,687 as of 24 March, 2010) to OTT&CO S.A. The Company and OTT & CO S.A. agreed to offset the Urso Verde Receivable amounting to EUR 138,985 with the OPG Receivable, amounting to EUR 276,058 (EUR 216,068 principal, plus interest accrued of EUR 59,990) as of 24 March, 2010, leaving EUR 137,073, being the outstanding principal of the OPG Receivable as of this date.

Besides, Orco Charter, a wholly owned subsidiary of OTT&CO S.A., remains creditor of Blue Yachts, a 70% subsidiary of Suncani Hvar, itself a subsidiary of the Company, for an amount of EUR 181,649 as of 31 December, 2009, which has not been reimbursed to date.

On February 16, 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on March 1st, 2008 and with interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 13,333 new shares of Orco Germany S.A.. As at 31 December 2009, this loan has not been repaid yet. The loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis.

Mr Steven Davis also benefited from a loan of CZK 1,520,000 (EUR 56,438) from Orco Project Management sro, a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31st December 2008. The Company has launched legal action to recoup this receivable. This loan has been fully impaired as at 31 December 2009.

#### (c) Other transactions with key management personnel

On October 2, 2008, a company owned by Jean-François Ott, has transferred to the Company 71,860 exchangeable bonds in Suncani Hvar shares in exchange of 90,720 shares of the Company. The exchangeable value amounted to EUR 1,870,519.

In 2008, apartments built by the Group in the Czech Republic have been sold to one member of the executive committee for a total amount of EUR 0.3 million with an average discount of 6.0% compared to market conditions. The sale of these apartments to the member of the executive committee has been cancelled in 2009 and therefore was never been transacted. In 2009, two real estate assets were sold to two members of the Executive Committee for a total amount of EUR 0.4 million with no discount.

The Company has an investment in NOVY Fund, a related party of one member of the key management personnel. The cost of such investment amounts to EUR 1.4 million as at December 31, 2009 (EUR 1.4 million as at December 31, 2008) and its fair value amounts to EUR 0.3 million as at December 31, 2009 (EUR 0.5 million as at December 31, 2008).

As per a December 2007 transaction, 788,804 Company warrants were received in January 2008 from OTT&CO S.A. as settlement of its debt for an amount of EUR 12,104,863. Those warrants, together with other Group owner Company warrants, have been allocated to the management as per the transaction described in (a).

In February 2008, Orco Germany S.A. took over development projects in Kleinmachnow "Neue Hakeburg" and "Hochwald" by



acquiring the majority in the companies Vivaro GmbH & Co. Grundbesitz KG and Vivaro GmbH & Co. Zweite Grundbesitz KG. The development projects have been initiated by members of the Board of Directors of Orco Germany S.A. The acquisition involves a net investment of approx. EUR 2 million on the basis of valuation report prepared by independent expert.

On May 22, 2007, the Board of Directors of Orco Germany S.A. approved the issue of 148,077 five year bonds with 63 redeemable warrants attached to each bond pursuant to the terms and conditions set forth in a prospectus issued on May 24, 2007 (the "Prospectus"). The main features of the bonds and warrants are described in note 20. The Prospectus indicated that the subscribers who did not wish to keep all the warrants which were originally upon issue attached to the bonds may sell their warrants at an average unit price of EUR 1.45 to Central European Real Estate Management S.A., ("CEREM"), a public limited liability company ("société anonyme"), incorporated under the laws of Luxembourg and a wholly-owned subsidiary of the Company. The Prospectus provided that these warrants purchased by CEREM would then be offered at a unit price of EUR 1.45 to less than one hundred managers and business partners of Orco Germany's group. It was also provided in the Prospectus that in the event where all or part of these warrants were not purchased by these designated managers or business partners of Orco Germany's group, the unsold warrants would be repurchased at a price of EUR 1.45 per warrant either by Orco Immobilien GmbH ("Orco Immobilien"), a private limited liability company incorporated under the laws of Germany and an Orco Germany wholly owned subsidiary or by Orco Germany S.A. itself, in order to cancel the repurchased warrants.

On May 30, 2007, 148,077 five year bonds with 63 redeemable warrants attached to each bond were issued and subscribed by investors. Shortly thereafter, in accordance with the terms and conditions of the Prospectus, CEREM purchased from investors 6,219,234 warrants for a total consideration of EUR 9,017,889 and offered to managers and business partners of Orco Germany's group the opportunity to purchase these warrants at a price of EUR 1.45 per warrant based on an allocation proposed following a resolution of the Board of Directors of Orco Germany.

In accordance with the resolution of the Board of Directors of Orco Germany S.A. dated May 22, 2007, 1,260,000 such warrants have been offered for sale at a price of EUR 1.45 per warrant for a total consideration of EUR 1,812,500 to OTT&CO S.A. assuming OTT&CO S.A. had agreed to purchase those warrants. However, in 2009, OTT & CO SA confirmed it never agreed to complete the purchase of those warrants. On June 10, 2009, the Board of Directors of CEREM, discussing and voting on the issue in the absence of Mr. Jean-François Ott as provided by law, concluded that, in absence of an agreement to purchase the warrants, there were insufficient legal grounds to execute the transaction. As a result the receivable on OTT&CO S.A. of EUR 1,812,500 has been cancelled in the consolidated financial statements of the Group as of December 31, 2008 and a corresponding amount has been recorded in deduction of the consolidated equity at the same date and the comparative figures for 2007 have been accordingly restated. As at June 30, 2009, the Board of Directors of CEREM was still considering the opportunity to sell the 1,260,000 warrants for a total amount of EUR 1,812,500 to Orco Immobilien GmbH or Orco Germany S.A. in accordance with the terms of the Prospectus. On December 7, 2009, the Board of Directors of CEREM approved the sale of those 1,260,000 warrants to the Company as part of an agreement on transfer of warrants and other rights and obligations which has been signed between CEREM and the Company on December 8, 2009. Those warrants have been allocated to the management as per the transaction described in (a).

#### • Transactions with the Endurance Real Estate Fund

Orco is the sponsor and the fund manager of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Group is the shareholder of the management company of the Fund and has also invested in the three sub-fund's existing as at December 2009 (see note 13). The hospitality sub-fund, which was fully consolidated since December 2007, has been liquidated end of September 2008. As at December 31, 2009, the Group's subscription to the office I, office II and residential sub-funds represent respectively 16.16%, 8.29% and 7.98% of the total subscription respectively (in 2008, 15.73%, 4.57% and 10.60% respectively).

Orco's remuneration from the office and residential sub-funds amounting to EUR 4.2 million in 2009 (EUR 7.6 million in 2008) is linked to:

- the placement fee of a maximum of 2.5% of the committed funds of the investors
- the management fee of 2% per year calculated on the called subscriptions
- acquisition fee of 1% calculated on the value of the assets bought or sold by the fund.

As at December 2009, open invoices for unpaid management fees amounted to EUR 7.2 million (EUR 8.6 million as at December 2008). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 1.2 million revenue (EUR 2.5 million in 2008) and EUR 1.3 million expenses (EUR 1.0 million in 2008). They also resulted as at 31 December 2009 in a net payable of EUR 0.3 million (a net receivable of EUR 0.4 million as at 31 December 2008).

- **Transactions with other related parties**

Beginning of July 2007, Orco has granted a loan of USD 15 million for a term of 6 months and an interest rate of 10% on a yearly basis. This loan has been granted to a company controlled by the management of Molcom. This loan has been repaid fully in December 2008. The purpose of this loan was to facilitate future acquisitions of plots of land in Russia.

In 2007, the Group sold in the form of Future Purchase Contract 24 apartments to a subsidiary of the residential Endurance sub-fund for a total amount of EUR 11.1 million. In 2009, the investment board of the Fund decided to cancel this acquisition and the advance payment of EUR 1.3 million has been registered in the consolidated income statement.

### 32. List of the fully consolidated subsidiaries

Company	Country	Ccy	Activity	%	%
				Shareholding	Shareholding
				31.12.2009	31.12.2008
Sportovní 1, a.s.	Czech Republic	CZK	Development	100%	100%
Ambona Kredit s.r.o. (merged in První Kvintum Praha a.s.)	Czech Republic	CZK	Development	/	100%
Americká 1, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká 33, a.s.	Czech Republic	CZK	Leasing	100%	100%
AMERICKÁ - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká Park, a.s.	Czech Republic	CZK	Leasing	100%	100%
Anglická 26, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Ariah Kft.	Hungary	HUF	Leasing	100%	100%
Belgická - Na Kozačce, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Blue Yachts, d.o.o.	Croatia	HRK	Hotel	38.88%	38.88%
BRNO CENTRUM, s.r.o. (merged in MÁCHOVA - ORCO, a.s)	Czech Republic	CZK	Leasing	/	100%
Brno City Center a.s.	Czech Republic	CZK	Development	100%	100%
Bubenska 1 a.s.	Czech Republic	CZK	Leasing	100%	100%
Bubny Development s.r.o.	Czech Republic	CZK	Development	100%	100%
BYTY PODKOVA, a.s.	Czech Republic	CZK	Development	75%	75%
Capellen Invest S.A.	Luxembourg	EUR	Leasing	100%	100%
Central European Real Estate Management S.A. (in Liquidation)	Luxembourg	EUR	Management	100%	100%
Certuv Ostrov, a.s.	Czech Republic	CZK	Development	100%	100%
City Gate s.r.o. (sold in 2009)	Slovakia	EUR	Development	/	100%
CWM 35 Kft.	Hungary	HUF	Leasing	100%	100%
Darilia a.s.	Czech Republic	CZK	Development	100%	/
Development Doupovská, s.r.o.	Czech Republic	CZK	Development	100%	100%
Diana Property Sp. z.o.o.	Poland	PLN	Extended stay	100%	100%
Domain Sp. z.o.o. (previously Orco Strategy Sp. z.o.o.)	Poland	PLN	Development	/	100%
Endurance Advisory Company S.A.	Luxembourg	EUR	Development	100%	100%
Endurance Hospitality Assets S.à r.l.	Luxembourg	EUR	Hotel	88%	88%
Endurance Hospitality Finance S.à r.l.	Luxembourg	EUR	Hotel	88%	88%
Endurance Real Estate Management Company S.A.	Luxembourg	EUR	Management	100%	100%
Energia Jeden Sp. z.o.o. (previously Orco Idea Sp. z.o.o.)	Poland	PLN	Development	100%	100%
Hagibor Office Building a.s.	Czech Republic	CZK	Leasing	100%	100%
IPB Real Reality, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, s.r.o.	Czech Republic	CZK	Development	100%	100%
Jeremiašova Invest s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Jihovýchodni Mesto, a.s.	Czech Republic	CZK	Development	75%	75%
Karousa Enterprises Company Limited	Cyprus	USD	Development	69%	69%
Londýnská 26, a.s.(merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Londýnská 39, s.r.o. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Londýnská 41, s.r.o. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%

Company	Country	Ccy	Activity	%	%
				Shareholding 31.12.2009	Shareholding 31.12.2008
M & Q Sp. z.o.o.	Poland	PLN	Development	100%	100%
MÁCHOVA - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Mánesova 28, a.s. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Meder 36 Projekt Kft.	Hungary	HUF	Leasing	100%	100%
Megaleiar a.s.	Czech Republic	CZK	Development	100%	100%
Mikhailovka o.o.o.	Russia	RUB	Development	100%	100%
Mikhailovka Land o.o.o.	Russia	RUB	Development	100%	100%
MMR Management, s.r.o.	Czech Republic	CZK	Holding	90%	90%
MOLCOM CJSC	Russia	RUB	Leasing	69%	69%
MS-Invest o.o.o.	Russia	RUB	Development	69%	69%
Na Poříčí a.s.	Czech Republic	CZK	Leasing	100%	100%
Nad Petruskou, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
NOVÉ MEDLÁNKY a.s.	Czech Republic	CZK	Development	100%	100%
Nupaky a.s.	Czech Republic	CZK	Development	100%	100%
N W D C Company spol. s.r.o. (sold in 2009)	Czech Republic	CZK	Development	/	51%
Oak Mill, a.s.	Czech Republic	CZK	Development	100%	100%
Obonjan Rivijera d.d.	Croatia	HRK	Development	50%	50%
Office II Invest S.A.	Luxembourg	EUR	Holding	50.32%	50.32%
Onset, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Adriatic d.o.o.	Croatia	HRK	Development	100%	100%
Orco Blumentalska a.s. (previously ORCO Project, s.r.o.)	Slovakia	EUR	Development	100%	100%
Orco Budapest Zrt.	Hungary	HUF	Leasing	100%	100%
Orco Commercial Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Construction Sp. z.o.o.	Poland	PLN	Development	75%	75%
Orco Development Kft.	Hungary	HUF	Development	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Development	75%	75%
ORCO Development, s.r.o.	Slovakia	EUR	Development	100%	100%
ORCO Enterprise Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Estate Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Development	100%	100%
ORCO Estates, s.r.o.	Slovakia	EUR	Development	100%	100%
Orco Financial Services s.r.o.	Czech Republic	CZK	Holding	100%	100%
Orco Hungary Kft.	Hungary	HUF	Leasing	100%	100%
Orco Investment Kft. (sold in 2009)	Hungary	HUF	Leasing	/	100%
ORCO INVESTMENT, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Logistic Sp. z o.o.	Poland	PLN	Development	100%	100%
Orco Poland Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Praga s.r.o.	Czech Republic	CZK	Development	75%	75%
ORCO Prague, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Project Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Property Management, a.s. (sold in 2009)	Czech Republic	CZK	Leasing	/	100%

Company	Country	Ccy	Activity	%	%
				Shareholding 31.12.2009	Shareholding 31.12.2008
Orco Property Sp. z.o.o.	Poland	PLN	Development	75%	75%
Orco Razvoj d.d.	Croatia	HRK	Development	100%	100%
ORCO Residence, s.r.o.	Slovakia	EUR	Development	100%	100%
Orco Residential Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Russian Retail S.A. (previously Orco Capitol S.A.)	Luxembourg	EUR	Leasing	100%	100%
ORCO Slovakia, s.r.o.	Slovakia	EUR	Development	100%	100%
Orco Vagyonkezelő Kft.	Hungary	HUF	Development	100%	100%
ORCO Vinohrady, a.s. (merged in Anglická 26, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Orco Vision Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco-Molcom B.V.	Netherlands	EUR	Development	69%	69%
Orco Molcom o.o.o.	Russia	RUB	Development	69%	69%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Palito, a.s. (merged in Bubny Development s.r.o.)	Czech Republic	CZK	Development	/	100%
Private Security Enterprise "MOLCOM" CJSC	Russia	RUB	Leasing	69%	69%
První Kvintum Praha a.s.	Czech Republic	CZK	Development	100%	100%
RESIDENCE MASARYK, a.s.	Czech Republic	CZK	Leasing	100%	100%
Seattle, s.r.o.	Czech Republic	CZK	Development	100%	100%
Stein, s.r.o.	Slovakia	EUR	Development	100%	100%
SUNČANI HVAR d.d.	Croatia	HRK	Hotel	55.55%	55.55%
Theonia Entreprises Company Ltd	Cyprus	USD	Development	100%	100%
TO Green Europe, a.s.	Czech Republic	CZK	Development	100%	100%
TQE Asset, a.s.	Czech Republic	CZK	Leasing	100%	100%
VINOHRADY S.à r.l.	France	EUR	Holding	100%	100%
Viterra Development Ceska, s.r.o.	Czech Republic	CZK	Development	100%	100%
Viterra Development Polska Sp. z.o.o.	Poland	PLN	Development	100%	100%
Yuli Kft.	Hungary	HUF	Leasing	100%	100%
Záhřebská 35, s.r.o.	Czech Republic	CZK	Leasing	100%	100%

**Orco Germany S.A. Luxembourg EUR Leasing 58.10% 56.79%**

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

An den Gärten GmbH	Germany	EUR	Development	100%	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.8%	94.8%
Cybernetyki Business Park Sp. z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	100%
Endurance HC Alpha S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Epsilon S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC FF&E S.à r.l. (formerly Endurance HC Iota S.à r.l.)	Luxembourg	EUR	Development	100%	/
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	100%
GSG 1. Beteiligungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	99.75%	99.75%
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	99.75%
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	94.99%
Lora Grundbesitz GmbH	Germany	EUR	Leasing	100%	100%
Orco Berlin Invest GmbH	Germany	EUR	Development	100%	100%
Orco Erste VV GmbH	Germany	EUR	Development	100%	/
Orco Germany Investment S.A.	Luxembourg	EUR	Holding	100%	100%
Orco-GSG Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Leasing	99.75%	/
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100%	100%
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH	Germany	EUR	Development	100%	100%
Orco Projekt 103 GmbH	Germany	EUR	Leasing	100%	100%
ORCO Projektentwicklung GmbH (previously Viterra Development GmbH)	Germany	EUR	Development	100%	100%
Orco Vermietungs- und Services GmbH	Germany	EUR	Development	100%	100%
Viterra PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH	Germany	EUR	Development	94.8%	94.8%
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%
Stauffenbergstr. Drei GmbH	Germany	EUR	Development	100%	100%
Tucholskystr.39/41 GmbH & Co. Grundbesitz KG	Germany	EUR	Leasing	100%	100%
Viterra Baupartner GmbH	Germany	EUR	Development	100%	100%
Viterra Erste PEG mbH	Germany	EUR	Development	100%	100%
Viterra Zweite PEG mbH	Germany	EUR	Development	100%	100%
Viterra Fünfte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100%	100%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100%	100%
Westendstr. 28 Ffm GmbH	Germany	EUR	Development	94%	94%
TSM Berlin GmbH	Germany	EUR	Leasing	100%	/

### 33. List of the joint-ventures

#### 33.1 Koscic S.à.r.l.

The Group has a 50% interest in Koscic S.à.r.l., a Luxembourg based holding company which in turn holds 100% of the 3 operational companies. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	-	-
Current assets	983	13
<b>Assets</b>	<b>983</b>	<b>13</b>
Non-current liabilities	61	-
Current liabilities	510	170
<b>Liabilities</b>	<b>571</b>	<b>170</b>
Income	285	156
Expenses	-416	-220
<b>Profit after income tax</b>	<b>-131</b>	<b>-64</b>

#### 33.2 Koscic Development s.r.o.

The Group has a 50% interest in a joint venture, Koscic Development s.r.o., corresponding to the project's phase I in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	3	417
Current assets	912	4,255
<b>Assets</b>	<b>915</b>	<b>4,672</b>
Non-current liabilities	31	-
Current liabilities	157	122
<b>Liabilities</b>	<b>188</b>	<b>122</b>
Income	475	1,047
Expenses	-603	-677
<b>Profit after income tax</b>	<b>-128</b>	<b>370</b>

### 33.3 SV Faze II s.r.o.

The Group has a 50% interest in a joint venture, SV Faze II s.r.o., corresponding to the project's phase II in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	15	16
Current assets	14,880	9,302
<b>Assets</b>	<b>14,895</b>	<b>9,318</b>
Non-current liabilities	4,458	347
Current liabilities	4,549	2,947
<b>Liabilities</b>	<b>9,008</b>	<b>3,294</b>
Income	7,089	83
Expenses	-6,755	-398
<b>Profit after income tax</b>	<b>334</b>	<b>-315</b>

### 33.4 Slunecny Vrsek III s.r.o.

The Group has a 50% interest in a joint venture, Slunecny Vrsek III s.r.o., corresponding to the project's phase III in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2008) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 December 2009	31 December 2008
Non-current assets	68	40
Current assets	2,158	10,082
<b>Assets</b>	<b>2,226</b>	<b>10,122</b>
Non-current liabilities	-	635
Current liabilities	212	6,827
<b>Liabilities</b>	<b>212</b>	<b>7,462</b>
Income	3,880	4,085
Expenses	-3,457	-3,812
<b>Profit after income tax</b>	<b>423</b>	<b>273</b>



### 33.5 PEG Knorrstrasse 119 GmbH & Co. KG

The Group has a 29.05% interest in a joint venture, PEG Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the Group's 29.05% share (28.40% in 2008) of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	31 December 2009	31 December 2008
Non-current assets	-	-
Current assets	4,238	3,956
<b>Assets</b>	<b>4,238</b>	<b>3,956</b>
Non-current liabilities	-	-
Current liabilities	4,201	3,898
<b>Liabilities</b>	<b>4,201</b>	<b>3,898</b>
Income	-	64
Expenses	-23	-106
<b>Profit after income tax</b>	<b>-23</b>	<b>-42</b>

### 33.6 Hospitality

In 2007, Endurance Hospitality Assets S.à r.l. and AIG entered into a joint venture agreement by which Hospitality Invest S.à r.l. will be controlled equally by both parties. AIG's initial investment in the joint venture amounted to EUR 50 million.

ORCO has sold its hotel portfolio in Central Europe, with the notable exception of the trophy asset Pachtuv Palace and excluding the Suncani Hvar's stake. The new joint venture is to focus on the hospitality business. Therefore it has been decided to transfer to that joint venture at least the following hotels and residences as well as all the assets and liabilities relating to their management and operations: Riverside, Imperial, Marriott, Sulekova, Pokrovka, Le Regina, Diana, Vienna, Starlight, Residence Belgicka, Izabella and Andrassy.

The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	31 December 2009	31 December 2008
Non-current assets	57,100	64,519
Current assets	5,061	6,292
<b>Assets</b>	<b>62,161</b>	<b>70,811</b>
Non-current liabilities	44,254	62,653
Current liabilities	4,490	4,623
<b>Liabilities</b>	<b>48,744</b>	<b>67,276</b>
Income	31,502	21,506
Expenses	-26,201	-38,108
<b>Profit after income tax</b>	<b>5,302</b>	<b>-16,602</b>

### 34. Events after balance sheet date

On 10 March 2010, the Paris Commercial Court decided to extend the observation period for the Procedure de Sauvegarde of ORCO Property Group S.A and its subsidiary Vinohrady S.A.R.L. by 3 months until 25 June, 2010.

The Safeguard plan draft has been circulated among creditors at the end of March 2010. The Management expects a judgment on its plan and sauvegarde exit by the end of June 2010.

On 24 March 2010, a group of shareholders holding 10.09% of the ORCO Property Group's shares and voting rights asked the OPG Board of Directors to convene an Extraordinary General assembly before the end of April 2010.

In February 2010, the Helberger asset, located in Frankfurt has been effectively sold for EUR 11 Million. Other assets in Germany have also been sold in first quarter of 2010 but not yet transferred (like Wasserstrasse).

The warrant 2014 general meeting held on 25 March 2010, resolved the followings amendments:

- The warrants, previously exercisable until 28 March 2014 may be exercised up to the close of business on December 31, 2019.
- The terms and conditions of the warrants 2014, amended on 16 December 2009 (see note 19.9), previously applicable till 15 February 2010 have been extended and applicable until 31 December 2010.
- Until 31 December 2010, the warrants 2014 may be paid by remittance of bonds issued by Orco Germany S.A. at their principal amount.