# ORCO PROPERTY GROUP

## SOCIETE ANONYME

## STAND ALONE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2010

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

Orco Property Group's Board of Directors has approved on 13 April 2011 the stand alone financial statements for the year ended 31 December 2010. All the figures in this report are presented in Euros, except if otherwise explicitly stated.

# I. Statement of comprehensive income

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

| | Note | Year ended 31 December 2010 | 2009 |
|---|---|---|---|
| **Revenue** | | **7 197 535** | **999 397** |
| Administrative expenses | 14 | (13 046 523) | (9 970 799) |
| Net gain/(loss) on disposal of tangible assets | | (5 976) | (40 468) |
| Net gain/(loss) on disposal of financial assets | 16 | (12 957 197) | (16 596 417) |
| Employee benefits | 14 | (1 772 058) | (1 233 142) |
| Amortisation, impairments and provisions | 7,9 | (110 609 494) | (201 531 746) |
| Interest expenses | 12 | (4 436 390) | (6 269 606) |
| Interest income | 9 | 30 539 497 | 39 589 799 |
| Income from participating interests | - | 4 683 905 | 18 341 679 |
| Foreign exchange result | 15 | 12 958 327 | 1 689 283 |
| Net gain/(loss) on financial instruments at fair value through profit or loss | 17 | 11 618 571 | (21 965 935) |
| **Operating result** | | **(75 829 803)** | **(196 987 955)** |
| Interest expenses on bonds | 11 | (34 363 091) | (39 945 703) |
| Other net financial results | 18 | 277 731 075 | (2 002 072) |
| **Financial result** | | **243 367 984** | **(41 947 775)** |
| **NET RESULT BEFORE INCOME TAXES** | | **167 538 181** | **(238 935 730)** |
| Income taxes | 19 | - | - |
| **NET RESULT FOR THE YEAR** | | **167 538 181** | **(238 935 730)** |
| Other comprehensive income | | - | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **167 538  181** | **(238 935 730)** |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | 167 538 181 | (238 935 730) |
| Basic earnings per share | 20 | 12,75 | (22,26) |
| Diluted earnings per share | 20 | 5,37 | (22,26) |

## II. Balance sheet

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

| | | As at 31 December | | |
|---|---|---|---|---|
| **ASSETS** | **Note** | **2010** | **2009** | **2008** |
| **NON-CURRENT ASSETS** | | | | |
| Intangible assets | 5 | 538 878 | 37 050 | - |
| Fixtures and fittings | 6 | 445 828 | 291 104 | 561 649 |
| Shares in affiliated undertakings | 7 | 231 450 626 | 234 940 543 | 350 264 112 |
| Financial assets at fair value through profit or loss | 8 | 10 324 771 | 10 061 618 | 28 517 354 |
| Loans to affiliated undertakings and other financial assets | 9 | 215 159 034 | 303 992 749 | 378 583 131 |
| **TOTAL - NON-CURRENT ASSETS** | | **457 919 137** | **549 323 064** | **757 926 246** |
| **CURRENT ASSETS** | | | | |
| Trade and other receivables | - | 1 385 027 | 3 739 989 | 3 857 370 |
| Current financial assets | - | 158 137 | 770 485 | 2 233 855 |
| Cash and cash equivalents | 10 | 4 813 519 | 4 464 324 | 6 051 983 |
| **TOTAL - CURRENT ASSETS** | | **6 356 683** | **8 974 798** | **12 143 208** |
| **TOTAL - ASSETS** | | **464 275 820** | **558 297 862** | **770 069 454** |

| | | As at 31 December | | |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | **Note** | **2010** | **2009** | **2008** |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | | |
| Ordinary shares | 21 | 57 620 851 | 44 869 851 | 44 869 851 |
| Share premium | 21 | 403 988 245 | 400 524 345 | 400 524 345 |
| Other reserves | - | 2 858 533 | 3 297 903 | (7 080 988) |
| Retained earnings | - | (211 162 747) | (378 460 401) | (130 186 888) |
| **TOTAL - EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **253 304 882** | **70 231 698** | **308 126 320** |
| **TOTAL - EQUITY** | | **253 304 882** | **70 231 698** | **308 126 320** |

| | | As at 31 December | | |
|---|---|---|---|---|
| **LIABILITIES** | **Note** | **2010** | **2009** | **2008** |
| **NON-CURRENT LIABILITIES** | | | | |
| Bonds | 11 | 153 501 691 | 336 355 100 | 342 643 627 |
| Loans from affiliated undertakings | 12 | 34 561 947 | 58 350 230 | 84 094 587 |
| Derivative financial instruments | 11 | - | 9 539 998 | 10 753 756 |
| **TOTAL - NON-CURRENT LIABILITIES** | | **188 063 638** | **404 245 328** | **437 491 970** |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 13 | 11 392 023 | 22 321 234 | 9 435 788 |
| Bonds | 11 | 8 978 470 | 58 996 149 | 11 075 469 |
| Derivative financial instruments | 11 | 1 136 807 | 2 439 553 | 3 439 907 |
| Provisions for other liabilities and charges | - | 1 400 000 | 63 900 | 500 000 |
| **TOTAL - CURRENT LIABILITIES** | | **22 907 300** | **83 820 836** | **24 451 164** |
| **TOTAL - LIABILITIES** | | **210 970 938** | **488 066 164** | **461 943 134** |
| **TOTAL - EQUITY AND LIABILITIES** | | **464 275 820** | **558 297 862** | **770 069 454** |

# III. Statement of changes in equity

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

| ATTRIBUTABLE TO OWNERS OF THE COMPANY | Note | Share capital | Share premium | Other reserves | Retained earnings | Equity |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2009** | | **44 869 851** | **400 524 345** | **(7 080 988)** | **(130 186 888)** | **308 126 320** |
| **Comprehensive income for the year :** | | | | | | |
| Gain/(loss) of the year | - | - | - | - | (238 935 730) | (238 935 730) |
| Own equity instruments | 21 | - | - | 10 378 891 | (9 337 783) | 1 041 108 |
| **Balance at 31 December 2009** | | **44 869 851** | **400 524 345** | **3 297 903** | **(378 460 401)** | **70 231 698** |
| **Comprehensive income for the year :** | | | | | | |
| Gain/(loss) of the year | - | - | - | - | 167 538 181 | 167 538 181 |
| Capital increase | 21 | 12 751 000 | 3 463 900 | - | (86 075) | 16 128 825 |
| Own equity instruments | 21 | - | - | (439 370) | (154 452) | (593 822) |
| **Balance at 31 December 2010** | | **57 620 851** | **403 988 245** | **2 858 533** | **(211 162 747)** | **253 304 882** |

## IV. Statement of cash flows

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

| | Year ended 31 December | |
|---|---|---|
| | **2010** | **2009** |
| **Cash flows from operating activities** | | |
| **Operating result** | **(75 829 803)** | **(196 987 955)** |
| Amortisation, impairments and provisions | 110 609 494 | 201 531 746 |
| Net gain/(loss) on financial instruments at fair value | (11 618 571) | 21 965 935 |
| Net result on disposal of assets | 12 963 173 | 16 636 884 |
| Net interest income | (26 103 107) | (33 320 194) |
| Loans granted to subsidiary undertakings | (11 583 231) | (3 951 219) |
| Changes in operating assets and liabilities | (15 475 518) | (14 862 398) |
| Net cash used in operations | (17 037 563) | (8 987 200) |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiary, net of cash acquired | (153 270) | - |
| Proceeds from assets sales | 718 786 | 5 304 520 |
| reimbursement share premium | 2 039 000 | - |
| Acquisition of other financial investments | (35) | (911 424) |
| Dividend received from subsidiary undertakings | - | 4 066 000 |
| **Net cash used in investing activities** | 2 604 481 | 8 459 096 |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of ordinary shares | 16 214 900 | - |
| Net interest received/(paid) | (1 523 692) | (1 437 163) |
| **Net cash used in financing activities** | 14 691 208 | (1 437 163) |
| **Net (decrease)/increase in cash and cash equivalents** | **258 126** | **(1 965 267)** |
| Cash, cash equivalents and bank overdrafts at beginning of the year | 4 464 324 | 6 051 983 |
| Exchange gains/(losses) on cash and cash equivalents | 91 069 | 377 608 |
| **Cash and cash equivalents at end of year** | **4 813 519** | **4 464 324** |

# Notes to the stand alone financial statements

## 1. General information

Orco Property Group, société anonyme ("the Company") was incorporated under the Luxembourg Companies Law on September 9, 1993 as a limited liability company (société anonyme) for an unlimited period of time.

The address of its registered office is 40, Parc d'activités Capellen, L-8308 Capellen.

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

The Company is listed on the Euronext Paris stock exchange, the Prague stock exchange, the Budapest stock exchange and the Warsaw stock exchange and prepares consolidated accounts in accordance with IFRS as adopted by the EU, which can be obtained at the registered office.

These stand alone financial statements have been approved for issue by the Board of Directors on 13 April 2011.

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

## 2. Summary of significant accounting policies

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

The stand alone financial statements are presented in Euros and have been prepared under the historical cost convention except some financial assets carried at fair value through profit or loss.

### 2.1 Basis of preparation and Going concern

The stand alone financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, and as permitted by Luxembourg Law dated 10 December 2010.

2.1.1 Going concern

In determining the appropriate basis of preparation of the stand alone financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Company'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 has improved compared to the one described in the 2009 and 2008 stand alone and consolidated financial statements. The Company has invested in subsidiaries holding real estate assets and has granted loans to these entities. The economic environment in which the Group operates has stabilized or topped out on most of the markets where the Group is active. Even though the valuation of certain investment properties and residential developments held by some Company's subsidiaries further decreased, the Company has made progress in the implementation of its restructuring plans allowing the same conclusion on the going concern.

2.1.1.1 2010 results

Over 2010, the Company has made a net profit of EUR 167.5 million. The Company recorded a gain of EUR 281.8 million upon derecognition of the Company's bonds as a result of the approval of the Safeguard plan but recognized additional impairments for a net total of EUR 110.6 million from which additional impairments on shares in affiliated undertakings for EUR 61.1 million and additional impairments on loans to affiliated undertakings for EUR 50.6 million.

The operational achievements and successful restructuring of its subsidiaries' activities is essential for the Company to recover its initial investment in their equity and the principal of the loans granted.

2.1.1.2 "Procédure de Sauvegarde" (Safeguard Procedure)

Beginning of 2009, the Company's Board of Directors decided to apply protection from creditors by a French court, the Safeguard Procedure. 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 Safeguard Procedure for the Company, and Vinohrady S.à r.l., a French subsidiary, for a renewable six months period. During the Safeguard Procedure, the Company is exempted to repay all the liabilities prior to the judgement pronouncement while interests on debts and bonds continue to be accrued based on contractual arrangements.

The initial period has been prolonged twice with the last period to be ended in June 2010 at the latest. The Safeguard plan (i.e. the proposed schedule for admitted claims' repayment supported by a long term business plan) was circularized to creditors on 31 March 2010. A majority of 57.42% of creditors were in favour of the proposed plan. The details of the Safeguard plan were published in the management report accompanying the 2009 consolidated financial statements. On 19 May 2010, the Court approved the Company's Safeguard plan. This plan combines a strategic and operational restructuring plan and a debt rescheduling plan. The rescheduling plan aims at repaying 100% of the admitted claims, including nominal, accrued interests, and interests to accrue during the Safeguard plan, over ten years as per the schedule below, with effect from 30 April 2010 and a first repayment on 30 April 2011. This repayment schedule is consistent with the Group's business plan and reflects the necessity for the Group to invest in its development projects and assets.

| Year | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| % of the total liability | 2% | 5% | 5% | 5% | 5% |

| Year | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| % of the total liability | 5% | 10% | 14% | 20% | 29% |

The Court appointed Maître Laurent le Guernevé as "Commissaire à l'exécution du plan" in charge of overseeing the performance of the Company in implementing the Safeguard plan. Maître Le Guernevé will more specifically be in charge of distributing among the Company's creditors the amounts that are due to them under the Safeguard plan.

The judgment approving the Safeguard plan ended the observation period opened in 25 March 2009 and allows the Company to carry out its activity as it did prior to the opening of the Safeguard Procedure.

On 10 June 2010, a third party filed an opposition with the Commercial Court of Paris regarding the 19 May 2010 judgment that approved the Company's Safeguard plan. This third party opposition was filed by Maître François Kopf, attorney for bondholder representative for the « OBSAR 2010 » (ISIN FR0010249599), « CONVERTIBLE 2013 » (ISIN FR0010333302), and « OBSAR 2014 » (ISIN XS0291838992 and XS029184062). Regarding these three bonds, the third party opposition contests the maximum bond liability to be reimbursed within the Safeguard plan. The Court hearing was deferred until April 2011.

2.1.1.3 Restructuring plan implemented by the Company management in the Group

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

- simplified and streamlined in terms of business and geographical presence;
- integrated in terms of ownership and control of its subsidiaries;
- focused on a cash flow sustainable holding company;
- 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.

Many progresses have been made in the restructuring plan of the Company under the protection of the Safeguard procedure opened on 25 March 2009 and after the approval of the Safeguard plan:

- The Safeguard plan proposing a term out over ten years of all the Company debts has been approved even though a third party opposition has been filed (see above).
- In its restructuring plan, the Company 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. While some of these assets or activities have already been sold, the restructuring of the assets and activities is not finalized yet. The success in selling those assets is essential to the realization of the business plan.
- Some major Group bank loans have been successfully renegotiated since the beginning of the Safeguard Procedure 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 and 2009. Further decreases are expected in 2011 with the decrease in the legal and consulting costs specific to the Safeguard Procedure or litigations with minority shareholders, the restructuring of Orco Germany (fully consolidated subsidiary held at 58.94% as at 31 December 2010, "OG") and the restructuring of the group management in two business lines (Development and Asset Management).
- 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 and executed in July 2010 with the Hospitality joint venture partner whereby EUR 20 million out of the Company EUR 46 million shareholder loan has been restructured. The joint venture's partner has injected EUR 5 million in cash in Hospitality Invest for partial repayment to the Company, while EUR 10 million of shareholder loan has been converted into equity in the joint venture leaving both partners at a 50% shareholding but increasing the rights of the Company in the future cash flow of the joint venture.
    - An agreement has been finalized in March 2011 with the CPF (Croatian state privatization fund holding 32% of the shares of Suncani Hvar d.d.). This agreement is a first step aiming at putting an end to the different shareholders disputes and assuring long term financing of the business.
- The risks on the implementation of the Safeguard plan (particularly on the timing of the non core asset sales forecasted to finance the equity part of the development of the existing land bank) have been mitigated in April 2010 by the completion of three capital increases in cash amounting to EUR 16.2 million that were not included in the sources of funds considered in the business plan. The new investors are professional investment funds, such as Axa Investment Managers, Neptune Invest, Alandia Investissements, Lansdowne Capital, Hillgrove Investments Group and Finplat. The Company issued a total of 3,110,000 new shares, priced at EUR 5.61 (for the first capital increase) and EUR 5.00 (for the 2nd and 3rd capital increases). The price per share in the 2nd and 3rd capital increases reflects the fact that the new shares remain in the form of registered shares until a prospectus is approved by the CSSF. Initially, these capital increases were legally challenged by certain shareholders but the Company entered into an agreement beginning of 2011 putting an end to these litigation procedures.

  On 24 January 2011, the CSSF approved the prospectus for the new shares issued in the second and third capital increases. The prospectus has been duly pass ported with the French Autorité des Marchés Financiers on 25 January 2011. Consequently, the Company applied for listing the corresponding shares for trading on the regulated markets of NYSE Euronext in Paris, the Prague Stock Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange. As of the publication of this report, all four above-mentioned stock exchanges admitted the 2,020,000 ordinary shares of the Company to.

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

While the Safeguard plan has been approved on the basis of a business plan supported by the Board of Directors and estimated as achievable by the Commercial Court, the Juge Commissaire and the Mandataire judiciaire, the Company's status as a going concern depends mainly and directly on its capacity to implement the Safeguard plan as approved by the Commercial Court in Paris. Nevertheless, would the creditors be successful in challenging the Safeguard plan, the Court may decide to put the Company in a rehabilitation or judicial liquidation proceeding. A rehabilitation proceeding or judicial liquidation may materially adversely affect the Company's business, financial condition, results of operations or prospects. The Company sees the risk of this opposition being accepted as remote.

Some subsidiaries and joint ventures held by the Company require funding to continue as a going concern. The business plan is built on the capacity of the Company to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring.

The financial performance of the Company is also dependent upon the wider economic environment in which the Company operates. The uncertainty of the evolution of real estate market in Central Europe could damage the Company's activity and slow down the asset sales program. It should be noted that this environment has generally been stabilized over the last 15 months.

The Board of Directors is in the opinion that those risks are mitigated by the reasonability of the assumptions taken in the establishment of the business plan and the capital increases completed over the year of 2010.

2.1.1.5 Conclusion

The Board of Directors has, as a result of the approval of the Safeguard plan and the restructuring currently being implemented and considering the risks and uncertainties described above, concluded that there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the stand alone financial statements as at 31 December 2010 on a going concern basis.

2.1.2 Critical accounting estimates and judgements

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

2.1.3 First time application of IFRS to the Company stand alone accounts

These stand alone financial statements represent the first stand alone financial statements of the Company prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and approved by the European Union. The Company adopted IFRS and applied IFRS 1, First-time Adoption of International Financial Reporting Standards, as of 1 January 2009 ("Transition Date"). In accordance with IFRS, the Company has:

- provided comparative financial information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied all effective IFRS standards as of 31 December 2010, as required, and
- considered certain optional exemptions and mandatory exceptions as applicable for first time IFRS adopters.

The Company's stand alone financial statements were previously prepared in accordance with Luxembourg legal and regulatory requirements applicable to the preparation of annual accounts ("Lux GAAP").

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in stand alone financial statements prepared under Lux GAAP. An explanation of how the transition from Lux GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables (see note 2.1.3.2).

2.1.3.1 Exemptions and exceptions for first time adopters

IFRS 1 lists applicable exemptions options and mandatory exceptions applicable in the conversion from Lux GAAP to IFRS. No optional exemption has been applied and no mandatory exception is applicable to the Company:

- Application of IFRS 3, 'Business combinations', prospectively from the transition date or from a specific date prior to the transition date as IFRS 3 does not apply to stand alone accounts of the Company.
- No items of property, plant and equipment have been recognized at fair value as at 1 January 2009.
- Reset to zero of cumulative translation gains and losses to be at the transition date in accordance with IAS 21 as there is no such cumulative differences in the stand alone accounts of the Company.
- Relief from applying IAS 19, 'Employee benefits', for the recognition of actuarial gains and losses as there is no employee benefit plans in the Company.
- Share-based payment (IFRS 2) and leases (IAS 17), as the exemption is not applicable to the Company.
- Insurance contracts (IFRS 4), as this is not relevant of the company's operations.
- Assets and liabilities included in the Group consolidated financial statements that are applicable to stand alone financial statements are included at the same carrying amount.
- Compound financial instruments, as the exemption is not applicable to the Company.
- Decommissioning liabilities included in the cost of land, buildings and equipment, as the Company does not have liabilities of this type.
- Financial assets or intangible assets accounted for under IFRIC 12, as the Company has not entered into agreements within the scope of IFRIC 12.
- No hedge accounting is applied by the Company.
- Derecognition of financial assets and financial liabilities, as the exception is not applicable to the Company.
- Non-controlling interests, as the exception is not applicable to the Company.

2.1.3.2 Reconciliations of Lux GAAP to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first-time adoption did not have an impact on the total operating, investing or financing cash flows; in addition, no cash flow statement was presented under Lux Gaap. The following tables represent the reconciliations from Lux GAAP to IFRS for the respective periods noted for equity, earnings and comprehensive income.

### Reconciliation of shareholder's equity as at 1 January 2009

| Reconciliation of Lux GAAP to IFRS (in EUR) | Under LUX GAAP | Own equity instruments | Bonds debts | Bonds derivatives | Other Transfers | Under IFRS |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Tangible assets | 561 649 | - | - | - | - | 561 649 |
| Shares in affiliated undertakings | 350 264 112 | - | - | - | - | 350 264 112 |
| Financial assets at fair value through profit or loss | 28 517 354 | - | - | - | - | 28 517 354 |
| Loans to affiliated undertakings and other financial assets (1) | 354 062 039 | - | - | - | 24 521 092 | 378 583 131 |
| **TOTAL - NON-CURRENT ASSETS** | **733 405 154** | **-** | **-** | **-** | **24 521 092** | **757 926 246** |
| Loans to affiliated undertakings and other financial assets | 24 803 880 | - | - | - | (24 803 880) | - |
| Trade and other receivables | 3 574 582 | - | - | - | 282 788 | 3 857 370 |
| Current financial assets (2) | 9 792 722 | (814 353) | (6 744 514) | - | - | 2 233 855 |
| Cash and cash equivalents | 6 051 983 | - | - | - | - | 6 051 983 |
| **TOTAL - CURRENT ASSETS** | **44 223 167** | **(814 353)** | **(6 744 514)** | **-** | **(24 521 092)** | **12 143 208** |
| Prepayments and accrued income | 12 577 293 | - | (12 577 293) | - | - | - |
| **TOTAL - PREPAYMENTS AND ACCRUED INCOME** | **12 577 293** | **-** | **(12 577 293)** | **-** | **-** | **-** |
| **TOTAL – ASSETS** | **790 205 614** | **(814 353)** | **(19 321 807)** | **-** | **-** | **770 069 454** |
| **LIABILITIES** | | | | | | |
| Provisions for taxes | 698 855 | - | - | - | (698 855) | - |
| Other provisions | 8 060 589 | - | - | - | (8 060 589) | - |
| **TOTAL - PROVISIONS FOR LIABILITIES AND CHARGES** | **8 759 444** | **-** | **-** | **-** | **(8 759 444)** | **-** |
| Bonds | 427 632 875 | - | (84 989 248) | - | - | 342 643 627 |
| Loans from affiliated undertakings | 41 144 598 | - | - | - | 42 949 989 | 84 094 587 |
| Derivative financial instruments | - | - | - | 6 633 074 | 4 120 682 | 10 753 756 |
| **TOTAL - NON-CURRENT LIABILITIES** | **468 777 473** | **-** | **(84 989 248)** | **6 633 074** | **47 070 671** | **437 491 970** |
| Bonds | 11 139 993 | - | (64 524) | - | - | 11 075 469 |
| Loans from affiliated undertakings | 42 949 989 | - | - | - | (42 949 989) | - |
| Trade and other payables | 9 153 885 | - | (416 952) | - | 698 855 | 9 435 788 |
| Derivative financial instruments | - | - | - | - | 3 439 907 | 3 439 907 |
| Provisions for other liabilities and charges | - | - | - | - | 500 000 | 500 000 |
| **TOTAL - CURRENT LIABILITIES** | **63 243 867** | **-** | **(481 476)** | **-** | **(38 311 227)** | **24 451 164** |
| **TOTAL - LIABILITIES** | **540 780 784** | **-** | **(85 470 724)** | **6 633 074** | **-** | **461 943 134** |
| **SHAREHOLDERS' EQUITY** | | | | | | |
| Ordinary shares | 44 869 851 | - | - | - | - | 44 869 851 |
| Share premium | 400 524 345 | - | - | - | - | 400 524 345 |
| Legal reserve | 4 106 864 | - | - | - | (4 106 864) | - |
| Other reserves | 814 353 | (12 002 205) | - | - | 4 106 864 | (7 080 988) |
| Retained earnings | (200 890 583) | 11 187 852 | 66 148 917 | (6 633 074) | - | (130 186 888) |
| **TOTAL - SHAREHOLDERS' EQUITY** | **249 424 830** | **(814 353)** | **66 148 917** | **(6 633 074)** | **-** | **308 126 320** |
| **TOTAL - LIABILITIES AND SHAREHOLDERS' EQUITY** | **790 205 614** | **(814 353)** | **(19 321 807)** | **-** | **-** | **770 069 454** |

(1) Includes the following captions from the Lux GAAP annual accounts : Loans to affiliated undertakings, Guarantees deposits and similar and Other loans
(2) This caption corresponds to the Transferable securities in the Lux GAAP annual accounts

### Reconciliation of comprehensive income for the year 2009

| Reconciliation of Lux GAAP to IFRS<br>In EUR | Under<br>Lux GAAP | Own equity<br>instruments | Bonds<br>debt | Bonds<br>derivatives | Other<br>transfers | Under<br>IFRS |
|---|---|---|---|---|---|---|
| **Revenue** | **1 611 968** | **-** | **-** | **-** | **(612 571)** | **999 397** |
| | | | | | | **-** |
| **Other external charges (including other taxes)** | **(11 993 434)** | **-** | **-** | **-** | **2 022 635** | **(9 970 799)** |
| | | | | | | **-** |
| **Net gain/(loss) on disposal of assets including:** | **(35 762 905)** | **9 337 771** | **9 788 250** | **-** | **-** | **(16 636 885)** |
| tangible and financial assets | (16 636 884) | | | | - | (16 636 885) |
| transferable securities | (19 126 021) | 9 337 771 | 9 788 250 | - | - | - |
| | | | | | | **-** |
| **Employee benefits** | **(1 233 142)** | **-** | **-** | **-** | **-** | **(1 233 142)** |
| | | | | | | **-** |
| **Amortisation, impairments and provisions including:** | **(199 534 076)** | **(9 257 672)** | **(13 819 775)** | **-** | **21 079 777** | **(201 531 746)** |
| value adjustments on tangible and intangible assets held as fixed assets | (230 076) | - | - | - | - | (230 076) |
| value adjustments on financial assets and transferable securities held as current assets | (199 529 000) | (9 257 672) | (13 819 775) | - | 21 079 777 | (201 526 670) |
| value adjustments on other current assets | 225 000 | - | - | - | - | 225 000 |
| | | | | | | **-** |
| **Interest expenses** | **(34 402 091)** | **-** | **(15 586 363)** | **-** | **43 718 848** | **(6 269 606)** |
| **Interest income** | | | | **-** | **39 589 799** | **39 589 799** |
| **Income from participating interest** | **18 341 679** | **-** | **-** | | | **18 341 679** |
| **Foreign exchange result** | **-** | **-** | **-** | **-** | **1 689 283** | **1 689 283** |
| **Net gain/(loss) on financial instruments at fair value** | **-** | **-** | **-** | **(886 158)** | **(21 079 777)** | **(21 965 935)** |
| **Income from transferable securities and from loans forming part of financial fixed assets** | **40 164 171** | **(365 203)** | **(465 356)** | **-** | **39 333 611** | **-** |
| **Other interest receivable and similar income** | **5 126 608** | **-** | | | **(5 126 608)** | **-** |
| **Operating result** | **(217 681 222)** | **(285 104)** | **(20 083 244)** | **(886 158)** | **41 947 775** | **(196 987 955)** |
| **Interest expenses on bonds** | | | | | **(39 945 703)** | **(39 945 703)** |
| **Other net financial results** | **-** | **-** | **-** | **-** | **(2 002 072)** | **(2 002 072)** |
| **Financial result** | **-** | **-** | **-** | **-** | **(41 947 775)** | **(41 947 775)** |
| **NET RESULT BEFORE INCOME TAXES** | **(217 681 222)** | **(285 105)** | **(20 083 244)** | **(886 158)** | **-** | **(238 935 730)** |
| Income taxes | - | - | - | - | - | - |
| **NET RESULT FOR THE YEAR** | **(217 681 222)** | **(285 105)** | **(20 083 244)** | **(886 158)** | **-** | **(238 935 730)** |

### Reconciliation of shareholder's equity as at 31 December 2009

| Reconciliation of Lux GAAP to IFRS (in EUR) | Under LUX GAAP | Own equity instruments | Bonds debts | Bonds derivatives | Other transfers | Under IFRS |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Intangible assets | 37 050 | - | - | - | - | 37 050 |
| Tangible assets | 291 104 | - | - | - | - | 291 104 |
| Shares in affiliated undertakings | 234 940 543 | - | - | - | - | 234 940 543 |
| Financial assets at fair value through profit or loss | 10 061 618 | - | - | - | - | 10 061 618 |
| Loans to affiliated undertakings and other financial assets (1) | 271 297 049 | - | - | - | 32 695 700 | 303 992 749 |
| **TOTAL - NON-CURRENT ASSETS** | **516 627 364** | **-** | **-** | **-** | **32 695 700** | **549 323 064** |
| Loans to affiliated undertakings and other financial assets | 34 564 252 | - | - | - | (34 564 252) | - |
| Trade and other receivables | 1 871 437 | - | - | - | 1 868 552 | 3 739 989 |
| Current financial assets (2) | 828 821 | (58 336) | - | - | - | 770 485 |
| Cash and cash equivalents | 4 464 324 | - | - | - | - | 4 464 324 |
| **TOTAL - CURRENT ASSETS** | **41 728 834** | **(58 336)** | **-** | **-** | **(32 695 700)** | **8 974 798** |
| Prepayments and accrued income | 9 934 790 | **-** | **(9 934 790)** | **-** | **-** | - |
| **TOTAL - PREPAYMENTS AND ACCRUED INCOME** | **9 934 790** | **-** | **(9 934 790)** | **-** | **-** | **-** |
| **TOTAL – ASSETS** | **568 290 988** | **(58 336)** | **(9 934 790)** | **-** | **-** | **558 297 862** |
| **LIABILITIES** | | | | | | |
| Provisions for taxes | - | - | - | - | - | - |
| Other provisions | 4 524 230 | - | - | - | (4 524 230) | - |
| **TOTAL - PROVISIONS FOR LIABILITIES AND CHARGES** | **4 524 330** | **-** | **-** | **-** | **(4 524 230)** | **-** |
| Bonds | 389 743 356 | - | (53 388 256) | - | - | 336 355 100 |
| Loans from affiliated undertakings | 53 823 596 | - | - | - | 4 526 634 | 58 350 230 |
| Derivative financial instruments | - | - | - | 7 519 221 | 2 020 777 | 9 539 998 |
| **TOTAL - NON-CURRENT LIABILITIES** | **443 566 952** | **-** | **(53 388 256)** | **7 519 221** | **6 547 411** | **404 245 328** |
| Bonds | 61 608 332 | - | (2 612 183) | - | - | 58 996 149 |
| Loans from affiliated undertakings | 4 529 242 | - | - | - | (4 529 242) | - |
| Trade and other payables | 22 318 626 | - | - | - | 2 608 | 22 321 234 |
| Derivative financial instruments | - | - | - | - | 2 439 553 | 2 439 553 |
| Provisions for other liabilities and charges | - | - | - | - | 63 900 | 63 900 |
| **TOTAL - CURRENT LIABILITIES** | **88 456 200** | **-** | **(2 612 183)** | **-** | **(2 023 181)** | **83 820 836** |
| **TOTAL - LIABILITIES** | **536 547 382** | **-** | **(56 000 439)** | **7 519 221** | **-** | **488 066 164** |
| **SHAREHOLDERS' EQUITY** | | | | | | |
| Ordinary shares | 44 869 851 | - | - | - | - | 44 869 851 |
| Share premium | 400 524 345 | - | - | - | - | 400 524 345 |
| Legal reserve | 4 106 864 | - | - | - | (4 106 864) | - |
| Other reserves | 58 337 | (867 298) | - | - | 4 106 864 | 3 297 903 |
| Retained earnings | (417 815 791) | 808 962 | 46 065 649 | (7 519 221) | - | (378 460 401) |
| **TOTAL - SHAREHOLDERS' EQUITY** | **31 743 606** | **(58 336)** | **46 065 649** | **(7 519 221)** | **-** | **70 231 698** |
| **TOTAL - LIABILITIES AND SHAREHOLDERS' EQUITY** | **568 290 988** | **(58 336)** | **(9 934 790)** | **-** | **-** | **558 297 862** |

(1) Includes the following captions from the Lux GAAP annual accounts : Loans to affiliated undertakings, Guarantees deposits and similar and Other loans
(2) This caption corresponds to the Transferable securities in the Lux GAAP annual accounts

**Notes to the reconciliation of Luxembourg GAAP and IFRS**

- Own equity instruments;

Under Luxembourg GAAP own equity instruments were reported as transferable securities and results from sales were recognized in income statement. A restricted reserve corresponding to acquisition cost of these instruments was booked.

Under IFRS own equity instruments are deducted from equity (IAS 32) and no gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of those own equity instruments. All considerations paid or received for the purchase or sale of those own equity instruments are recognized directly in equity.

- Bonds debt;

Under Luxembourg GAAP:

- own bonds repurchased were reported as transferable securities and results from sales were recognized in the income statement. Interest related to these bonds was reported in income statement under “interest income”.
- issuing premiums and other issuing costs were considered as prepayments and were amortized as interest expenses over the period from issuance to maturity.
- redemption premiums were amortized as interest expenses over the period from issuance to maturity.
- bonds debt were accounted for at its nominal value and, if applicable, with recognition of an exchange loss on bonds issued in foreign currencies.

Under IFRS:

- repurchased of own bonds are now considered as derecognition of financial instruments with impact in the income statement under “ other net financial result”. Purchased bonds re-issued are accounted for as an issue of new instruments.
- bonds debt are initially accounted for at their fair value (including issuing premiums and other issuing costs) and subsequently valued at amortized cost using the effective interest rate method in the income statement under “interest expenses on bonds”.

- Bonds derivatives;

Under Luxembourg GAAP:

- Derivatives instruments were not recognized except when fair value was negative. In case of negative fair value, fair value loss, and release of the provision for loss, were recognized in income statement under “other net financial results”.

Under IFRS:

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

- Other transfers;

Under IFRS:

- Amounts owed by affiliated undertakings due within one year have been reclassified under long term as they will be reimbursed together with the nominal upon disposal of underlying assets.
- Derivative financial instruments have been reclassified out of the account “Other provision” and disclosed under non-current and current liabilities.
- Interest expenses on the bonds have been classified as financial results.

2.1.3.3 Changes in accounting policies and disclosures

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods, but the Company has not early adopted them:

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010, Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'accounting policies, changes in accounting estimates and errors'. The Company will apply the amendments from 1 January 2011.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments are reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the Company's financial statements.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Company will apply these amendments for the financial period beginning on 1 January 2011.

Improvements to International Financial Reporting Standards 2010 were issued in May 2010. Amendments this year effect six standards and one IFRIC: IFRS 1, IFRS 7, IAS 1 and IFRIC 13. The amendments are generally applicable for annual periods beginning after 1 January 2011. Early application is permitted.

**2.2 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 a Company. The Executive Committee together with the Investment Committee are the chief operating decision maker of the Company. This organization reflects the operational management of the Group. On a stand alone basis, the Management is in the opinion that split around different products, services, geographical areas or a combination of factors is not appropriate considering the activity of holding with no direct operations but only headquarter activities.

The Company derives its revenues mainly from invoicing portfolio management services covering partially its operating expenses. Those services are invoiced to the operations centers located essentially in Prague and Berlin. All other income relate to dividends and interests as there is no production at the Company level.

**2.3 Foreign currency translation**

*(a) Functional and presentation currency*

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

*(b) Transactions and balances*

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

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

**2.4 Intangible assets**

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (generally 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 Company, 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 amortized using the straight-line method over their estimated useful lives (not exceeding three years).

**2.5 Fixtures and fittings**

All fixtures and fittings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisitions of the items. These costs are amortized using the straight-line method over their estimated useful lives (not exceeding ten years).

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

**2.6 Financial assets**

2.6.1 Classification

The Company classifies its financial assets in the following categories: shares in affiliated undertakings, financial assets at fair value through profit or loss, and loans to affiliated undertakings and other financial assets. Management determines the classification of its financial assets at initial recognition.

a) Shares in affiliated undertakings

Shares in affiliated undertakings correspond to equity investments in subsidiaries. They are included in non-current assets unless the management intends to dispose of it within of the end of the reporting period.

b) Financial assets at fair value through profit or loss

Financial assets at fait value through profit or loss are financial assets which, upon initial recognition, are designated by the Company as at fair value through profit or loss. 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; otherwise, they are classified as non-current.

c) Loans to affiliated undertakings and other financial assets

Loans to affiliated undertakings and other financial assets 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 end of the reporting period. These are classified as non-current assets.

2.6.2 Recognition and measurement

a) Shares in affiliated undertakings are initially recognised at cost. They are subsequently carried at cost less impairment. Management assesses at each balance sheet date whether there is objective evidence that share in affiliated undertaking is impaired. Impairment testing done by Management is described in note 4 (b).

b) Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. They are subsequently carried at fair value. Gains or losses arising from changes in their fair value are presented in the income statement with “Net gain / (loss) on financial assets at fair value through profit or loss”.

c) Loans to affiliated undertakings and other financial assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Management assesses at each balance sheet date whether there is objective evidence that loan or other financial asset is impaired. Impairment testing done by Management is described in note 4(b).

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

**2.7 Trade and other receivables**

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Company 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 income statement.

**2.8 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.

**2.9 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 own shares held by the Company -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.

**2.10 Borrowings**

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

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

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

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

**2.11 Compound financial instruments**

Compound financial instruments issued by the Company comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

**2.12 Trade payables**

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

**2.13 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the 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 at the balance sheet date. 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 stand alone 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 that at the time of the transaction affects neither accounting or 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 deferred income tax asset 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 Company and it is probable that the temporary difference will not be reversed in the foreseeable future.

### 2.14 Derivative financial instruments

Derivatives are initially recognized in the balance sheet at their fair value on a date a derivative contract is entered into and are subsequently re-measured at their fair value which is generally the market value. Derivatives are presented at the balance sheet date under the caption “Derivative financial instruments” in current assets when fair value is positive or under the caption “Derivative financial instruments” in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the 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 balance sheet and changes in fair value are accounted for through the income statement.

### 2.15 Revenue recognition

The Company derives its revenues mainly from invoicing portfolio management services covering partially its operating expenses. Those services are invoiced to the operations centers located essentially in Prague and Berlin. All other income relate to dividends and interests as there is no production at the Company level.

The administrative 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.

### 2.16 Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Company’s stand alone financial statements in the period in which the dividends are approved by the Company’s shareholders.

### 2.17 Provisions

Provisions for environmental restoration, site restoration and legal claims are recognized when: the Company, directly or on behalf of one of its subsidiary, 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 Company, directly or on behalf of one of its subsidiary, 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.

### 2.18 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.

### 2.19 Subscription rights and PACEO (“Programme d’Augmentation de Capital par Exercice d’Options”)

The Company 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 stand alone financial statements.

## 3. Financial risk management

### 3.1 Financial risk factors

The Company'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 Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company financial performance. The Company uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Company'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 Company's CFO identifies, evaluates and mitigates financial risks. 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 Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK) and the Polish Zloty (PLN). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Loans, operating income are mainly denominated in Euro (EUR). The Company does not use foreign currency derivatives contracts with non related parties.

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

| Currency Code | Currency | 31 December 2008 Closing | 31 December 2009 Closing | 31 December 2010 Closing |
|---|---|---|---|---|
| CZK | Czech Koruna | 26.93 | 26.465 | 25.06 |
| PLN | Polish Zloty | 4.1724 | 4.1082 | 3.9603 |

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 Company has a significant exposure. The Company based the assumption of 5%, as the biggest exposure for the Company in CZK/EUR varied of 5.6% in 2010.

| December 2010 | Change of 5% against EUR |
|---|---|
| CZK/EUR | 4.1 |
| PLN/EUR | 1.8 |

| December 2009 | Change of 5% against EUR |
|---|---|
| CZK/EUR | 5.1 |
| PLN/EUR | 2.6 |

(ii) Price risk

The Company is exposed to equity securities risks from its investments in Endurance Fund and Novy Fund, which investments are classified in financial assets at fair value through profit or loss as detailed in note 8.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio and only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed, as no significant impact expected by Management.

*(b) Credit risk*

The Company has significant concentrations of credit risk with loans granted to its affiliated undertakings. The loans are most of the time granted as mezzanine loans and come after the guarantees granted by affiliated undertakings to the financing bank (impairment tests on loans granted to affiliated undertakings are described in note 4(b) and in note 9). Cash transactions are limited to high credit-quality financial institutions. The Company has policies that limit the amount of credit exposure to any financial institution. Credit risk is managed by Company management.

| **At 31 December 2010 (in KEUR)** | **Fully performing** | **Past due but not impaired** | | | **Impaired** | **Total** |
|---|---|---|---|---|---|---|
| | | **Less than 6 months** | **6 months and 1 year** | **More than 1 year** | | |
| **Loans to affiliated undertakings and other financial assets gross** | 215 159 | | | | 189 140 | 404 299 |
| Impairments at 31 December 2009 | | | | | -138 503 | -138 503 |
| Impairments - allowance | | | | | -50 637 | -50 637 |
| **Total loans to affiliated undertakings and other financial assets** | **215 159** | **0** | **0** | **0** | **0** | **215 159** |
| **Trade and other receivables gross** | 1 385 | - | - | - | 900 | 2 285 |
| Impairments at 31 December 2009 | | | | | -775 | -775 |
| Impairments - allowance | | | | | -125 | -125 |
| **Total trade and other receivables** | **1 385** | **0** | **0** | **0** | **0** | **1 385** |
| **Current financial assets gross** | 158 | - | - | - | 2 476 | 2 634 |
| Impairments at 31 December 2009 | | | | | -2 599 | -2 599 |
| Impairments - write back | | | | | 123 | 123 |
| **Total current financial assets** | **158** | **0** | **0** | **0** | **0** | **158** |
| **Cash and cash equivalents gross** | 4 814 | | | | | 4 814 |
| Impairments at 31 December 2009 | | | | | | 0 |
| **Total cash and cash equivalents** | **4 814** | **0** | **0** | **0** | **0** | **4 814** |

| **At 31 December 2009 (in KEUR)** | **Fully performing** | **Past due but not impaired** | | | **Impaired** | **Total** |
|---|---|---|---|---|---|---|
| | | **Less than 6 months** | **6 months and 1 year** | **More than 1 year** | | |
| **Loans to affiliated undertakings and other financial assets gross** | 303 993 | - | - | - | 139 903 | 443 986 |
| Impairments at 31 December 2008 | | | | | -93 405 | -93 405 |
| Impairments - allowance | | | | | -46 498 | -46 498 |
| **Total loans to affiliated undertakings and other financial assets** | **303 993** | **0** | **0** | **0** | **0** | **303 993** |
| **Trade and other receivables gross** | 3 740 | - | - | - | 775 | 4 515 |
| Impairments at 31 December 2008 | | | | | - | 0 |
| Impairments - allowance | | | | | -775 | -775 |
| **Total trade and other receivables** | **3 740** | **0** | **0** | **0** | **0** | **3 740** |
| **Current financial assets gross** | 770 | - | - | - | 6 313 | 7 083 |
| Impairments at 31 December 2008 | | | | | -4 600 | -4 600 |
| Impairments - allowance | | | | | -1 713 | -1 713 |
| **Total current financial assets** | **770** | **0** | **0** | **0** | **0** | **770** |
| **Cash and cash equivalents gross** | 4 464 | | | | | 4 464 |
| Impairments at 31 December 2008 | | | | | | 0 |
| **Total cash and cash equivalents** | **4 464** | **0** | **0** | **0** | **0** | **4 464** |

The table below shows in the rating and the balance in EUR Million for some of the major bank counterparties at the balance sheet date. The Company does not hold any collateral.

| | Rating Agency | | | December |
|---|---|---|---|---|
| Counterparty | Moody's Rating | S&P's rating | Fitsch's Rating | 2010 |
| KBC Bank S.A. | Aa3 | A | A | 2.0 |
| Bank Pekao | A2 | A- | A- | 1.9 |
| Saxo Bank A.S | - | - | - | 0.5 |
| Banque Espirito Santo | A3 | A- | - | 0.2 |
| Česka Spořitelna A.S. | A1 | A | A | - |
| Banque du Luxembourg | AA3 | A+ | - | - |
| Other | - | - | - | 0.2 |
| **Total in EUR Million** | | | | **4.8** |

*(c) Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the inherent nature of its assets, the Company is subject to a liquidity risk (see note 2.1 on going concern).

The liquidity risk is the risk that the Company might encounter difficulties raising liquid funds to meet commitments as they fall due. The management monitors the liquidity risk on the basis of expected cash flows.

The table below analyses the Company's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2010 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.

| At 31 December 2010 (in KEUR) | 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 | - | -8 978 | - | -111 868 | -483 704 | -604 550 |
| Interest rate derivatives | -271 | -328 | -549 | - | - | -1 148 |
| Trade and other payables | -8 031 | -2 000 | -1 361 | - | - | -11 392 |
| Total | -8 302 | -11 306 | -1 910 | -111 868 | -483 704 | -617 090 |

| At 31 December 2009 (In KEUR) | 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 | -17 659 | -8 335 | -51 404 | -373 828 | | -451 226 |
| Floating rate bonds | -12 031 | -238 | -253 | -87 | - | -12 609 |
| Interest rate derivatives | -290 | -361 | -664 | -1 057 | - | -2 372 |
| Forex derivatives | -268 | -827 | -951 | - | - | -2 046 |
| Embedded derivatives on bonds | - | - | -10 055 | - | - | -10 055 |
| Trade and other payables | -5 878 | -500 | -15 943 | - | - | -22 321 |
| Total | -36 126 | -10 261 | -79 270 | -374 972 | 0 | -500 629 |

*(d) Cash flow interest rate risk*

The Company's income cash in flows are substantially independent of changes in market interest rates. All loans granted to affiliated undertakings are granted with fixed interest rate. Contracts include the possibility to capitalize the accrued interests and loan repayment is only requested once the affiliated undertaking sells its own investments. Their capacity to pay capitalized interests above the initial principal relies on the fair value of the real estate assets they are invested in.

Loans from affiliated undertakings are granted on the basis of the same fixed interest rate. Interests on bonds are also fixed.

The Company has also entered into interest rate swaps detailed hereafter:

As at 31 December 2010:

| Maturity date | Currency | Amount | Floating interest rate to receive | Fixed rate | Market Value (EUR) |
|---|---|---|---|---|---|
| 30/09/2011 | EUR | 4.235.898 | EURIBOR 3M | 4,08 | (96.767) |
| 07/10/2011 | EUR | 2.968.524 | EURIBOR 3M | 3,91 | (86.083) |
| 07/10/2011 | EUR | 12.537.405 | EURIBOR 3M | 3,91 | (363.568) |
| 07/10/2011 | EUR | 15.000.000 | EURIBOR 3M | 3,91 | (434.981) |
| 07/10/2011 | EUR | 5.350.000 | EURIBOR 3M | 3,91 | (155.143) |
| | | | | | **(1.136.542)** |

As at 31 December 2009:

| Maturity date | Currency | Amount | Floating interest rate to receive | Fixed rate | Market Value (EUR) |
|---|---|---|---|---|---|
| 30/09/2011 | EUR | 4.235.898 | EURIBOR 3M | 4,08 | (195.384) |
| 07/10/2011 | EUR | 2.968.524 | EURIBOR 3M | 3,91 | (151.125) |
| 07/10/2011 | EUR | 12.537.405 | EURIBOR 3M | 3,91 | (638.268) |
| 07/10/2011 | EUR | 15.000.000 | EURIBOR 3M | 3,91 | (763.636) |
| 07/10/2011 | EUR | 5.350.000 | EURIBOR 3M | 3,91 | (272.364) |
| | | | | | **(2.020.777)** |

The Company has also entered into foreign exchange contract that matured in December 2010 and detailed hereafter:

As at 31 December 2009:

| Maturity date | Currency purchased | Currency sold | Amount in PLN | Market Value (EUR) |
|---|---|---|---|---|
| 31/12/2010 | PLN | EUR | (10.022.169) | (2.439.552) |

### 3.2 Fair value estimation

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the 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 Company 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 Company's financial assets and liabilities that are measured at fair value at 31 December 2010.

| in KEUR | Level 1 | Level 2 | Level 3 | Total balance |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Investment in Endurance Fund | - | - | 10 325 | 10 325 |
| - Trading securities | 5 | 153 | - | 158 |
| **Total assets** | **5** | **153** | **10 325** | **10 483** |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Embedded derivatives on bonds | - | - | - | - |
| - Trading derivatives | - | 1 137 | - | 1 137 |
| **Total liabilities** | **-** | **1 137** | **-** | **1 137** |

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

| in KEUR | Level 1 | Level 2 | Level 3 | Total balance |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| - Investment in Endurance Fund | - | - | 10 062 | 10 062 |
| - Trading securities | 433 | 337 | - | 770 |
| **Total assets** | **433** | **337** | **10 062** | **10 832** |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| - Embedded derivatives on bonds | - | 703 | 6 817 | 7 520 |
| - Trading derivatives | - | 2 020 | 2 440 | 4 460 |
| **Total liabilities** | **-** | **2 722** | **9 257** | **11 980** |

| In KEUR | Investment in Endurance Fund |
|---|---|
| At 31 December 2009 | 10 062 |
| Increase | - |
| Profit /(losses) recognised in profit or loss | 263 |
| At 31 December 2010 | 10 325 |

| In KEUR | Embedded derivatives on Bonds | Trading derivatives |
|---|---|---|
| At 31 December 2009 | -6 817 | -2 440 |
| Losses recognised in profit or loss | 6 817 | 2 440 |
| At 31 December 2010 | 0 | 0 |

### 3.3 Capital risk management

The Company monitors its capital risk by reference to the consolidated loan to value ratio which is the level of net debt accepted by the Group in order to finance its portfolio of assets. This measure is seen as more appropriate than the non consolidated balance sheet ratios where most investments are not at fair value. The objective of the Company is to maintain the consolidated loan to value ratio under 50%. The Company's objectives when managing capital are to safeguard the going concern and growth of the activities while maximizing value creation for its shareholders. In order to maintain or adjust the capital structure, the Company 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, 2010, the consolidated loan to value ratio has reached the level of 67.8% compared to 84.4% in 2009. The sharp decrease of the LTV ratio is mainly the consequence of the approval of the Safeguard plan resulting in the recognition of the new debt at fair value and the value created on major development projects.

The consolidated LTV ratio before bonds also reduces from 58.1% to 53.8% due to the decrease of current liabilities.

The following table shows the detailed calculation of the consolidated 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 price once completed minus the remaining development and commercialization costs while the fair value corresponds to the sale price of the development as it is the date of valuation.

**Group consolidated loan to value ratio**

| In EUR Thousand | December 2010 | December 2009 |
|---|---|---|
| **Non current liabilities** | | |
| Financial debts | 526,991 | 484,634 |
| **Current liabilities** | | |
| Financial debts | 389,282 | 595,776 |
| **Current assets** | | |
| Current financial assets | -302 | -488 |
| Liabilities held for sale | 76,494 | 51,451 |
| Cash and cash equivalents | -53,439 | -57,040 |
| **Net debt** | **939,026** | **1,074,333** |
| Investment property | 888,036 | 1,072,304 |
| Hotels and own-occupied buildings | 222,563 | 215,393 |
| Financial assets at fair value through profit or loss | 30,049 | 32,353 |
| Inventories | 418,957 | 482,605 |
| Assets held for sale | 131,898 | 48,930 |
| Revaluation gains /(losses) on projects and prop. | 53,375 | -3,095 |
| **Fair value of portfolio** | **1,744,878** | **1,848,490** |
| **Loan to value before bonds** | **53.8%** | **58.1%** |
| Bonds | 243,889 | 468,616 |
| Accrued interests on bonds | - | 16,860 |
| **Loan to value** | **67.8%** | **84.4%** |

The amount of revaluation on the projects located within the Hospitality Invest joint venture of the Group has been allocated in order to reflect the cash waterfall agreed between the joint venture partners in 2010.

The Company does not have external bank financing nevertheless, a breach of covenants on bank loans granted to affiliated undertakings could impact the Company if the Company stands guarantor for this loan.

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 2010, some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities. Most covenants relate to administrative documents to be provided (audited accounts, management reports) and financial ratios to be respected on the asset level (loan to value, loan to construction and interest coverage ratio).

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

### 3.4 Financial instruments

| 31 December 2010 (in KEUR) | Loans and Receivables | Assets at fair value through profit or loss | Total |
|---|---|---|---|
| **Assets per balance sheet** | | | |
| Financial assets at fair value through profit or loss | - | 10 325 | 10 325 |
| Loans to affiliated undertakings and other financial assets | 215 159 | - | 215 159 |
| Current financial assets | | 158 | 158 |
| Trade and other receivables | 1 385 | - | 1 385 |
| Cash and cash equivalents | 4 814 | - | 4 814 |
| **Total** | **221 358** | **10 483** | **231 841** |

| 31 December 2010 (in KEUR) | Liabilities at fair value through profit or loss | Other financial liabilities at amortised cost | Total |
|---|---|---|---|
| **Liabilities per balance sheet** | | | |
| Loans from affiliated undertakings | - | 34 562 | 34 562 |
| Bonds | - | 162 480 | 162 480 |
| Derivatives financial instruments | 1 137 | - | 1 137 |
| Trade and other payables | - | 11 392 | 11 392 |
| **Total** | **1 137** | **208 434** | **209 571** |

| 31 December 2009 (in KEUR) | Loans and Receivables | Assets at fair value through profit or loss | Total |
|---|---|---|---|
| **Assets per balance sheet** | | | |
| Financial assets at fair value through profit or loss | - | 10 062 | 10 062 |
| Loans to affiliated undertakings and other financial assets | 303 993 | - | 303 993 |
| Current financial assets | - | 770 | 770 |
| Trade and other receivables | 3 740 | - | 3 740 |
| Cash and cash equivalents | 4 464 | - | 4 464 |
| **Total** | **312 197** | **10 832** | **323 029** |

| 31 December 2009 (in KEUR) | Liabilities at fair value through profit or loss | Other financial liabilities at amortised cost | Total |
|---|---|---|---|
| **Liabilities per balance sheet** | | | |
| Loans from affiliated undertakings | - | 58 350 | 58 350 |
| Bonds | - | 395 351 | 395 351 |
| Derivatives financial instruments | 11 980 | - | 11 980 |
| Trade and other payables | - | 22 321 | 22 321 |
| **Total** | **11 980** | **476 022** | **488 002** |

## 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.

The Company 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 present 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) Impairments on shares in affiliated undertakings and on loans granted to affiliated undertakings*

The Company assesses at the end of each reporting period whether there is objective evidence that shares in and loans granted to affiliated undertakings are impaired. Such types of assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

The criteria used by the Company to determine that there is objective evidence of an impairment loss is the net asset value of each affiliated undertaking which is based on the fair value of the underlying property(ies).

These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung.

The best evidence of fair value of investments properties is current prices in an active market for similar assets. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making its judgment, the Company 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 Company 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:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| Discount Rate | 6,5% | 11,8% | 7% | 11% |
| Yield Range | 5,8% | 13,0% | 6,75% | 12% |
| Exit Cap Rate | 5,3% | 9,0% | 6% | 9% |

Details of the main assumptions by type of properties used in 2010 :

| | Equivalent Yield | | Cap Rate | | Discount Rate | |
|---|---|---|---|---|---|---|
| | Min | Max | Min | Max | Min | Max |
| Hospitality | 8,0% | 12,5% | 7,3% | 9,0% | 9,0% | 11,8% |
| Rental CE | 6,7% | 13,0% | NA | NA | NA | NA |
| Luxembourg | NA | NA | 6,5% | 6,5% | 7,5% | 7,5% |
| German assets (excluding GSG) | NA | NA | 5,3% | 7,3% | 6,5% | 8,3% |
| GSG assets | NA | NA | 6,5% | 8,3% | 7,0% | 9,6% |
| Developments CE | 7,3% | 8,8% | NA | NA | NA | NA |

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 Company is subject to income taxes in Luxembourg and France. 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 Company 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.

*(d) 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 Company or of the specific entity concerned in the light of existing, available and observable market data by the Company's banks for the derivatives (IRS, options and forwards).

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

The Company investments in the Endurance sub-funds are fair valued on the basis of the net asset value as provided by the fund Manager as at 30 September 2010 with a liquidity discount of 20% (20% in 2009).

*(e) Fair value of bonds at recognition*

See note 11.1

## 5. Intangible assets

Intangible assets consist of softwares. Movements are as follows:

| In EUR | Gross amount | Amortisation and impairments | Net amount |
|---|---|---|---|
| **Balance at 1 January 2009** | **-** | **-** | **-** |
| Additions / (Amortisation) | 37 050 | - | 37 050 |
| **Balance at 31 December 2009** | **37 050** | **-** | **37 050** |
| Additions / (Amortisation) | 636 548 | (134 720) | 501 828 |
| **Balance at 31 December 2010** | **673 598** | **(134 720)** | **538 878** |

In 2010, the Company has acquired new softwares for accounting and consolidation purposes.

## 6. Fixtures and fittings

Fixtures and fittings consist of transport equipment, furnitures, computing equipment and other tangible assets. Movements are as follows:

| In EUR | Gross amount | Amortisation and impairments | Net amount |
|---|---|---|---|
| **Balance at 1 January 2009** | **621 535** | **(59 886)** | **561 649** |
| Additions / (Amortisation) | - | (230 076) | (230 076) |
| (Assets sales) / Reversal of impairments | (106 153) | 65 684 | (40 469) |
| **Balance at 31 December 2009** | **515 382** | **(224 278)** | **291 104** |
| Additions / (Amortisation) | 172 556 | (17 832) | 154 724 |
| **Balance at 31 December 2010** | **687 938** | **(242 110)** | **445 828** |

## 7. Shares in affiliated undertakings

The movements are follows:

| In EUR | Acquisition cost | Impairments | Net book value |
|---|---|---|---|
| **Balance at 1 January 2009** | **454 974 087** | **(104 709 975)** | **350 264 112** |
| Additions / (Impairments) | 63 968 232 | (219 052 091) | (155 083 859) |
| (Disposals) / Reversal of impairments | (23 376 993) | 63 137 283 | 39 760 290 |
| **Balance at 31 December 2009** | **495 565 326** | **(260 624 783)** | **234 940 543** |
| Additions / (Impairments) | 86 099 324 | (102 561 983) | (16 462 659) |
| (Disposals) / Reversal of impairments | (28 496 266) | 41 469 008 | 12 972 742 |
| **Balance at 31 December 2010** | **553 168 384** | **(321 717 758)** | **231 450 626** |

Impairment tests on shares in affiliated undertakings are based on the estimate of the fair value of the special purpose entity and its capacity to repay the loans as described in note 4 (b).

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

Shares in affiliated undertakings are detailed as follows (in ‘000 EUR) :

| Company | Country | Local currency | % held | Acquisition cost 31/12/2010 | Acquisition cost 31/12/2009 | Purchased / Acquired in 2010 | Sold / Liquidated in 2010 | Cumulated impairments 31/12/2009 | Cumulated impairments 31/12/2010 | Impairments in 2010 | Net book value 31/12/2010 | Net book value 31/12/2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Americka - Orco ,a.s | Czech Republic | CZK | 100,00% | 780,29 | 780,29 | - | - | - | - | - | 780,29 | 780,29 |
| Americka 1,a.s. | Czech Republic | CZK | - | 0,00 | 1 567,54 | - | (1 567,54) | (876,46) | - | 876,46 | - | 691,08 |
| Americka 33,a.s. | Czech Republic | CZK | - | 0,00 | 344,84 | - | (344,84) | - | - | - | - | 344,84 |
| Americka Park, a.s. | Czech Republic | CZK | 100,00% | 2 619,62 | 1 877,57 | 742,05 | - | (1 329,07) | (1 380,29) | (51,22) | 1 239,32 | 548,50 |
| Anglicka 26,s.r.o. | Czech Republic | CZK | - | 0,00 | 5 005,25 | - | (5 005,25) | (3 272,93) | - | 3 272,93 | - | 1 732,32 |
| Ariah Kft | Hungary | HUF | 100,00% | 9 895,42 | 3 189,74 | 6 705,68 | - | (3 189,74) | (5 806,27) | (2 616,52) | 4 089,16 | - |
| BCC - Brno City Center, a.s. | Czech Republic | CZK | 100,00% | 9 755,80 | 9 755,80 | - | - | (1 619,35) | - | 1 619,35 | 9 755,80 | 8 136,46 |
| Belgicka-Na Kozacce,s.r.o. | Czech Republic | CZK | 100,00% | 1 206,49 | 1 206,49 | - | - | (276,36) | - | 276,36 | 1 206,49 | 930,14 |
| Beta Development | Czech Republic | CZK | 100,00% | 25,81 | 25,81 | - | - | (25,81) | (25,81) | - | - | - |
| Bubenská 1, a.s. | Czech Republic | CZK | 100,00% | 987,21 | 987,21 | - | - | - | - | - | 987,21 | 987,21 |
| Bubny development, s.r.o. | Czech Republic | CZK | 100,00% | 21 261,47 | 21 261,47 | - | - | (4 495,82) | - | 4 495,82 | 21 261,47 | 16 765,65 |
| Capellen Invest s.a. | Luxembourg | EUR | 100,00% | 2 182,64 | 2 182,64 | - | - | (2 182,64) | (2 182,64) | - | - | - |
| CEREM, s.a. | Luxembourg | EUR | 100,00% | 31,00 | 31,00 | - | - | (31,00) | (31,00) | - | - | - |
| CWM 35 Kft | Hungary | HUF | 100,00% | 21 116,10 | 21 116,10 | - | - | (12 187,60) | (12 591,92) | (404,32) | 8 524,18 | 8 928,50 |
| Development Doupovská, s.r.o. | Czech Republic | CZK | 100,00% | 2 391,82 | 2 391,82 | - | - | (1 663,57) | (1 848,68) | (185,11) | 543,14 | 728,25 |
| Development Vision Sp Z.o.o. | Poland | PLN | - | 0,00 | 13,08 | - | (13,08) | (13,08) | - | 13,08 | - | - |
| Diana Property, Sp. z o.o. | Poland | PLN | 100,00% | 776,65 | 776,65 | - | - | - | - | - | 776,65 | 776,65 |
| Endurance Hospitality Asset | Luxembourg | EUR | 100,00% | 11,01 | 11,01 | - | - | (11,01) | (11,01) | - | - | - |
| Endurance Hospitality Finance Sàrl | Luxembourg | EUR | 100,00% | 11,01 | 11,01 | - | - | - | (11,01) | (11,01) | - | 11,01 |
| Endurance Real Estate Management Co. s.a. | Luxembourg | EUR | 100,00% | 125,00 | 125,00 | - | - | - | - | - | 125,00 | 125,00 |
| Energia Jeden, Sp. z o.o. | Poland | PLN | - | 0,00 | 13,08 | - | (13,08) | (13,08) | - | 13,08 | - | - |
| ENOR-Hungary Kft. | Hungary | HUF | - | 0,00 | 1,93 | - | (1,93) | (1,93) | - | 1,93 | - | - |
| Hagibor Office Building, a.s. | Czech Republic | CZK | 100,00% | 22 287,27 | 22 287,27 | - | - | (19 932,93) | (8 930,82) | 11 002,11 | 13 356,45 | 2 354,34 |
| IPB Real Reality,a.s. | Czech Republic | CZK | - | 0,00 | 10,59 | - | (10,59) | - | - | - | - | 10,59 |
| IPB Real,a.s. | Czech Republic | CZK | 100,00% | 3 053,22 | 0,00 | 3 053,22 | - | - | - | - | 3 053,22 | - |
| IPB Real,s.r.o. | Czech Republic | CZK | 100,00% | 500,48 | 500,48 | - | - | (500,48) | (500,48) | - | - | - |
| Jeremiášova Invest s.r.o. | Czech Republic | CZK | 100,00% | 2 321,50 | 2 321,50 | - | - | (1 242,99) | (1 374,59) | (131,59) | 946,92 | 1 078,51 |
| Jihovychodni Mesto,a.s. | Czech Republic | CZK | 74,99% | 25 637,86 | 25 637,86 | - | - | (20 364,56) | (19 731,86) | 632,70 | 5 906,00 | 5 273,30 |
| Karousa Enterprises Company Ltd | Cyprus | USD | 70,00% | 5 058,51 | 0,00 | 5 058,51 | - | - | (1 436,57) | (1 436,57) | 3 621,94 | - |
| Kosic s.a.r.l. | Luxembourg | EUR | 50,00% | 8 258,50 | 9 758,50 | - | (1 500,00) | (3 729,39) | (3 170,13) | 559,27 | 5 088,37 | 6 029,11 |
| M & O Sp z.o.o. | Poland | PLN | 100,00% | 307,19 | 307,19 | - | - | (307,19) | (307,19) | - | - | - |
| Machova-Orco ,a.s. | Czech Republic | CZK | 100,00% | 2 847,27 | 2 847,27 | - | - | (2 847,27) | (2 462,24) | 385,03 | 385,03 | - |
| Meder 36 Kft | Hungary | HUF | 100,00% | 1 858,88 | 1 858,88 | - | - | (1 858,88) | (1 858,88) | - | - | - |
| Megaleiar A.S. | Czech Republic | CZK | 100,00% | 2 008,90 | 1 256,64 | 752,26 | - | (689,00) | (836,32) | (147,31) | 1 172,59 | 567,64 |
| MMR Management, s.r.o. | Czech Republic | CZK | 100,00% | 6,30 | 5,67 | 0,63 | - | - | - | - | 6,30 | 5,67 |
| Na Poříčí, a.s. | Czech Republic | CZK | 100,00% | 12 441,94 | 12 441,94 | - | - | (8 136,45) | (5 961,05) | 2 175,41 | 6 480,89 | 4 305,49 |
| Nad Petruskou,s.r.o. | Czech Republic | CZK | - | 0,00 | 364,83 | - | (364,83) | - | - | - | - | 364,83 |
| Nove Medlanky,a.s. | Czech Republic | CZK | - | 0,00 | 6 005,61 | - | (6 005,61) | (5 222,51) | - | 5 222,51 | - | 783,10 |
| Nupaky a.s. | Czech Republic | CZK | 100,00% | 6 933,99 | 2 356,08 | 4 577,91 | - | (2 316,24) | (2 566,23) | (249,99) | 4 367,76 | 39,84 |
| Oak Mill,a.s. | Czech Republic | CZK | 99,99% | 1 385,26 | 1 385,26 | - | - | (426,36) | (159,71) | 266,65 | 1 225,55 | 958,90 |
| Office Center Hradčanská, a.s. (formerly: Certuv ostrov) | Czech Republic | CZK | 100,00% | 4 668,19 | 4 668,19 | - | - | (4 668,19) | (4 668,19) | - | - | - |
| Office II Invest, s.a. | Luxembourg | EUR | 100,00% | 31,00 | 15,60 | 15,40 | - | (15,60) | - | 15,60 | 31,00 | - |
| Onset a.s. | Czech Republic | CZK | 100,00% | 5 462,22 | 2 671,73 | 2 790,48 | - | (2 671,73) | (4 137,68) | (1 465,95) | 1 324,54 | - |
| OPG France, s.a.s. | France | EUR | 100,00% | 37,00 | 0,00 | 37,00 | - | - | - | - | 37,00 | - |

| Company | Country | Local currency | % held | Acquisition cost 31/12/2010 | Acquisition cost 31/12/2009 | Purchased / Acquired in 2010 | Sold / Liquidated in 2010 | Cumulated impairments 31/12/2009 | Cumulated impairments 31/12/2010 | Impairments in 2010 | Net book value 31/12/2010 | Net book value 31/12/2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Orco Estate,s.r.o. | Czech Republic | CZK | 100,00% | 885,26 | 885,26 | - | - | - | - | - | 885,26 | 885,26 |
| Orco Financial Services, s.r.o. | Czech Republic | CZK | 100,00% | 364,50 | 89,76 | 274,74 | - | (89,76) | (364,50) | (274,74) | - | - |
| Orco Investment,a.s. | Czech Republic | CZK | - | 0,00 | 1 651,09 | - | (1 651,09) | (1 068,80) | - | 1 068,80 | - | 582.28 |
| Orco Praga, s.r.o. | Czech Republic | CZK | 74,99% | 933,18 | 933,18 | - | - | (933,18) | (933,18) | - | - | - |
| Orco Prague,a.s. | Czech Republic | CZK | 100,00% | 5 097,08 | 5 097,08 | - | - | (2 849,87) | (5 097,08) | (2 247,21) | - | 2 247,21 |
| Orco Adriatic d.o.o. | Croatia | HRK | 100,00% | 2,73 | 2,73 | - | - | (2,73) | (2,73) | - | - | - |
| Orco Blumentálska, a.s. | Slovakia | EUR | 100,00% | 2 979,86 | 2 979,86 | - | - | (2 979,86) | (2 979,86) | - | - | - |
| Orco Bucharest | Romania | ROL | 96,00% | 3,26 | 3,26 | - | - | (3,26) | (3,26) | - | - | - |
| Orco Budapest Zrt. | Hungary | HUF | 99,99% | 4 650,76 | 3 050,38 | 1 600,37 | - | (3 050,38) | (4 650,76) | (1 600,37) | - | - |
| Orco Commercial Sp. z o.o. | Poland | PLN | 100,00% | 199,77 | 199,77 | - | - | (199,77) | (199,77) | - | - | - |
| Orco Construction Sp. z o.o. | Poland | PLN | 75,00% | 1 549,49 | 1 549,49 | - | - | (1 549,49) | (1 549,49) | - | - | - |
| Orco Development Kft | Hungary | HUF | 100,00% | 70,18 | 70,18 | - | - | (70,18) | (70,18) | - | - | - |
| Orco Development Sp. z o.o. | Poland | PLN | 75,00% | 337,74 | 337,74 | - | - | (337,74) | (337,74) | - | - | - |
| ORCO Development, s.r.o. | Slovakia | EUR | 100,00% | 1 000,79 | 1 000,79 | - | - | - | (617,95) | (617,95) | 382,84 | 1 000,79 |
| Orco Enterprise Sp. z.o.o. | Poland | PLN | 100,00% | 737,28 | 737,28 | - | - | (737,28) | (737,28) | - | - | - |
| Orco Estate Sp.z.o.o. | Poland | PLN | 100,00% | 700,11 | 700,11 | - | - | (700,11) | (700,11) | - | - | - |
| ORCO Estates, s.r.o. | Slovakia | EUR | 100,00% | 4,97 | 4,97 | - | - | (4,97) | (4,97) | - | - | - |
| Orco Germany s.a. | Luxembourg | EUR | 56,79% | 101 908,91 | 97 515,11 | 4 393,79 | - | (41 691,44) | (46 299,62) | (4 608,18) | 55 609,28 | 55 823,67 |
| Orco Hungary Kft | Hungary | HUF | 100,00% | 583,45 | 583,45 | - | - | (400,65) | (492,32) | (91,66) | 91,14 | 182,80 |
| Orco Logistic Sp. Z.o.o. | Poland | PLN | 100,00% | 13,08 | 13,08 | - | - | (13,08) | (13,08) | - | - | - |
| Orco Marine, d.o.o. | Croatia | HRK | 100,00% | 27,50 | 27,50 | - | - | (27,50) | (27,50) | - | - | - |
| Orco Poland Sp. z o.o. | Poland | PLN | 100,00% | 2 816,25 | 399,03 | 2 417,22 | - | (399,03) | (2 816,25) | (2 417,22) | - | - |
| Orco Project Kft. | Hungary | HUF | - | 0,00 | 1,93 | - | (1,93) | (1,93) | - | 1,93 | - | - |
| Orco Project Sp. z o.o. | Poland | PLN | 100,00% | 700,99 | 700,99 | - | - | - | (700,99) | (700,99) | - | 700,99 |
| Orco Projekt, d.o.o. | Croatia | HRK | 100,00% | 2,75 | 2,75 | - | - | (2,75) | (2,75) | - | - | - |
| Orco Property Sp. z o.o. | Poland | PLN | 75,00% | 3 597,16 | 3 597,16 | - | - | - | - | - | 3 597,16 | 3 597,16 |
| ORCO Property, d.o.o. | Croatia | HRK | 100,00% | 2,80 | 2,80 | - | - | (2,80) | (2,80) | - | - | - |
| Orco Razvoj, d.o.o. | Croatia | HRK | 100,00% | 27,50 | 27,50 | - | - | (27,50) | (27,50) | - | - | - |
| Orco Residence, s.r.o. | Slovakia | EUR | 100,00% | 5,18 | 5,18 | - | - | (5,18) | (5,18) | - | - | - |
| Orco Residential Sp. z o.o. | Poland | PLN | 100,00% | 9 701,11 | 1 321,60 | 8 379,50 | - | (671,64) | (1 654,42) | (982,79) | 8 046,68 | 649,97 |
| Orco Russian Retail, sa | Luxembourg | EUR | 100,00% | 31,00 | 31,00 | - | - | (31,00) | (31,00) | - | - | - |
| ORCO Slovakia, s.r.o. | Slovakia | EUR | 100,00% | 4,97 | 4,97 | - | - | (4,97) | (4,97) | - | - | - |
| Orco Vagyonkezelő, Kft. | Hungary | HUF | 100,00% | 1 701,94 | 1 001,90 | 700,04 | - | (880,65) | (1 070,54) | (189,89) | 631,40 | 121,25 |
| Orco-Molcom B.V. | Netherlands | EUR | 69,00% | 51 408,61 | 51 408,61 | - | - | - | (46 797,90) | (46 797,90) | 4 610,71 | 51 408,61 |
| Origo Investment Kft (formerly: Orco Investment Kft) | Hungary | HUF | 14,95% | 1 213,97 | 1 213,97 | - | - | (463,97) | (463,97) | - | 750,00 | 750,00 |
| Pachtuv Palac s.r.o. | Czech Republic | CZK | 100,00% | 7 424,41 | 7 424,41 | - | - | (7 424,41) | (3 917,76) | 3 506,66 | 3 506,66 | - |
| Prvni Kvintum Praha a.s. | Czech Republic | CZK | 90,00% | 2 760,22 | 2 760,22 | - | - | (2 277,13) | (0,00) | 2 277,13 | 2 760,22 | 483,10 |
| Residence Masaryk, a.s. | Czech Republic | CZK | - | 0,00 | 2 708,38 | - | (2 708,38) | (2 708,38) | - | 2 708,38 | - | - |
| Sarakina Enterprises Company Ltd | Cyprus | USD | 69,00% | 26 692,76 | 0,00 | 26 692,76 | - | - | - | - | 26 692,76 | - |
| Seattle,s.r.o. | Czech Republic | CZK | 100,00% | 8 928,71 | 1 261,42 | 7 667,29 | - | (676,94) | (6 445,27) | (5 768,34) | 2 483,43 | 584,48 |
| Suncani HVAR, d.d. | Croatia | HRK | 55,55% | 82 190,51 | 82 190,51 | - | - | (54 308,90) | (63 344,15) | (9 035,25) | 18 846,36 | 27 881,61 |
| Theonia Entreprises Company Ltd | Cyprus | USD | 100,00% | 13 930,64 | 13 930,64 | - | - | (5 874,86) | (13 930,64) | (8 055,78) | - | 8 055,78 |
| T-O Green Europe, a.s. | Czech Republic | CZK | 100,00% | 21,43 | 21,43 | - | - | (3,84) | - | 3,84 | 21,43 | 17,59 |
| TQE Asset, a.s. | Czech Republic | CZK | 99,20% | 17 541,38 | 17 541,38 | - | - | (16 202,24) | (15 861,31) | 340,93 | 1 680,07 | 1 339,14 |

| Company | Country | Local currency | % held | Acquisition cost 31/12/2010 | Acquisition cost 31/12/2009 | Purchased / Acquired in 2010 | Sold / Liquidated in 2010 | Cumulated impairments 31/12/2009 | Cumulated impairments 31/12/2010 | Impairments in 2010 | Net book value 31/12/2010 | Net book value 31/12/2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Valley Investment, Sàrl (formerly: Endurance H.C. Eta) | Luxembourg | EUR | 100,00% | 0,73 | 0,00 | 0,73 | - | - | (0,73) | (0,73) | - | - |
| Vinohrady s.a.r.l. | France | EUR | 100,00% | 7,62 | 7,62 | - | - | - | - | - | 7,62 | 7,62 |
| Viterra Cescka spol. S.r.o. | Czech Republic | CZK | 100,00% | 6 597,29 | 4 636,62 | 1 960,67 | - | (4 636,62) | (6 597,29) | (1 960,67) | - | - |
| Viterra Development Polska sp.z.o.o. | Poland | PLN | 99,99% | 1,25 | 9 309,38 | - | (9 308,12) | - | - | - | 1,25 | 9 309,38 |
| Vysočanská brána, a.s. (formerly: 1.Sportovni,a.s.) | Czech Republic | CZK | 100,00% | 1 130,37 | 1 130,37 | - | - | (1 130,37) | (1 130,37) | - | - | - |
| Yuli Kft | Hungary | HUF | 100,00% | 9 128,77 | 5 828,73 | 3 300,04 | - | - | (6 226,66) | (6 226,66) | 2 902,10 | 5 828,73 |
| Zahrebska 35,s.r.o. | Czech Republic | CZK | 100,00% | 5 265,32 | 286,30 | 4 979,02 | - | (60,38) | (3 613,36) | (3 552,98) | 1 651,97 | 225,93 |
| | | | | 553 168,38 | 495 565,33 | 86 099,32 | (28 496,27) | (260 624,78) | (321 717,76) | (61 092,98) | 231 450,63 | 234 940,54 |

## 8. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of investments in Endurance Real Estate Fund for Central Europe, a mutual investment fund launched by the Company in 2005.

The movements are follows:

| In EUR | Acquisition cost | Fair value adjustements | Net book value |
|---|---|---|---|
| **Balance at 1 January 2009** | **31 106 754** | **(2 589 400)** | **28 517 354** |
| Additions / Increase | 911 424 | (19 367 160) | (18 455 736) |
| Disposals / Decrease | - | - | - |
| **Balance at 31 December 2009** | **32 018 178** | **(21 956 560)** | **10 061 618** |
| Additions / Increase | 35 | (187 246) | (187 211) |
| Disposals / Decrease | - | 450 364 | 450 364 |
| **Balance at 31 December 2010** | **32 018 213** | **(21 693 442)** | **10 324 771** |

As at 31 December 2010, the fair value of the investments in the Endurance Real Estate Fund for Central Europe amounts to EUR 10.3 million (EUR 10.1 million as at 31 December 2009).The Endurance fund managed by the Company (see note 24) is divided in three specialized 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 2010, based on the net asset value as provided by the fund Manager in its report as at 30 September 2010, with a liquidity discount of 20% (20% in 2009), amounts to a profit of EUR 0.3 million (EUR 19.4 million loss in 2009).

Investments in the Endurance Real Estate Fund for Central Europe are detailed as follows:

- Investments in the Endurance's Office Sub-Fund

| In EUR | Total issued units | Estimated NAV | Units Held | % Held | Acquisition cost | Fair value adjustements | Net book value | Actual Commitment |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2009** | **13 490 870,970** | **10,41** | **2 122 603,050** | **15,73%** | **22 698 593** | **(602 295)** | **22 096 298** | **4 301 407** |
| Additions / Increase | 439 516,770 | | 129 216,33 | | 886 424 | (14 678 012) | (13 791 588) | (886 424) |
| Disposals / Decrease | | | | | | | 0 | |
| **Balance at 31 December 2009** | **13 930 387,740** | **3,69** | **2 251 819,380** | **16,16%** | **23 585 017** | **(15 280 307)** | **8 304 710** | **3 414 983** |
| Additions / Increase | | | | | | | 0 | |
| Disposals / Decrease | | | | | | 450 364 | 450 364 | |
| **Balance at 31 December 2010** | **13 930 387,740** | **3,89** | **2 251 819,380** | **16,16%** | **23 585 017** | **(14 829 943)** | **8 755 074** | **3 414 983** |

- Investments in the Endurance's Residential Sub-Fund

| In EUR | Total issued units | Estimated NAV | Units Held | % Held | Acquisition cost | Fair value adjustements | Net book value | Actual Commitment |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2009** | **8 449 292,443** | **7,17** | **895 544,771** | **10,60%** | **8 408 161** | **(1 987 105)** | **6 421 056** | **13 491 839** |
| Increase / Depreciation | 2 833 809,730 | - | 4 510,811 | - | 25 000 | (4 689 147) | (4 664 147) | (25 000) |
| Decrease / Reversal | - | - | | - | - | - | - | - |
| **Balance at 31 December 2009** | **11 283 102,173** | **1,95** | **900 055,582** | **7,98%** | **8 433 161** | **(6 676 252)** | **1 756 909** | **13 466 839** |
| Increase / Depreciation | 4 260 416,186 | - | - | - | 35 | (187 247) | (187 212) | (35) |
| Decrease / Reversal | - | - | - | - | - | - | - | - |
| **Balance at 31 December 2010** | **15 543 518,359** | **1,74** | **900 055,582** | **5,79%** | **8 433 196** | **(6 863 499)** | **1 569 697** | **13 466 804** |

## 9. Loans to affiliated undertakings and other financial assets

### 9.1 Loans to affiliated undertakings

The movements are follows:

| In EUR | Gross amount | Impairments | Net book value |
|---|---|---|---|
| **Balance at 1 January 2009** | **470 388 019** | **(93 404 888)** | **376 983 131** |
| Additions / (Impairments) | 78 872 816 | (77 942 743) | 930 073 |
| (Disposals) / Reversal of impairments | (106 973 264) | 32 844 724 | (74 128 540) |
| **Balance at 31 December 2009** | **442 287 571** | **(138 502 907)** | **303 784 664** |
| Additions / (Impairments) | 77 291 478 | (73 973 795) | 3 317 683 |
| (Disposals) / Reversal of impairments | (116 466 440) | 23 336 322 | (93 130 118) |
| **Balance at 31 December 2010** | **403 112 609** | **(189 140 380)** | **213 972 229** |

The Company has global agreement with all its subsidiaries for loans bearing 8% interest and a maturity on 31 December 2020.

Impairments policy is detailed in note 4(b).

Loans to affiliated undertakings are detailed as follows (in EUR):

| Affiliated undertakings | As at December 31, 2010<br>Loan nominal | Accrued Interest | Total gross value | Impairments | Net book value | 2010<br>Interest income | As at December 31, 2009<br>Loan nominal | Accrued Interest | Total gross value | Impairments | Net book value | 2009<br>Interest income | Original Currency |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ambiance Beaute Sarl | 6 750 | - | 6 750 | (6 750) | - | - | 3 950 | - | 3 950 | (3 950) | - | - | EUR |
| Ambona kredit s.r.o. | - | - | - | - | - | - | - | - | - | - | - | 1 442 | CZK |
| Americká - Orco, a.s | 510 953 | 41 196 | 552 148 | - | 552 148 | 41 196 | 184 808 | 3 777 | 188 585 | - | 188 585 | 3 777 | CZK |
| Americka 1,a.s. | - | - | - | - | - | 11 357 | 378 122 | 145 064 | 523 186 | - | 523 186 | 145 064 | CZK |
| Americka 33,a.s. | - | - | - | - | - | 3 123 | 60 053 | 1 854 | 61 907 | - | 61 907 | 417 788 | CZK |
| Americka Park, a.s. | 552 018 | 65 152 | 617 170 | - | 617 170 | 53 754 | 915 803 | 81 305 | 997 107 | - | 997 107 | 81 305 | CZK |
| Anglicka 26,s.r.o. | - | - | - | - | - | - | - | 11 064 | 11 064 | - | 11 064 | - | CZK |
| Ariah Kft | - | - | - | - | - | 415 089 | 5 396 150 | 428 069 | 5 824 219 | (5 824 219) | - | 428 069 | EUR |
| BCC - Brno City Center, a.s. | 4 280 820 | 391 821 | 4 672 642 | - | 4 672 642 | 391 821 | 4 376 350 | 446 970 | 4 823 321 | - | 4 823 321 | 446 970 | CZK |
| Belgicka-Na Kozacce,s.r.o. | 995 563 | 55 881 | 1 051 444 | - | 1 051 444 | 55 881 | 482 551 | 94 464 | 577 015 | - | 577 015 | 94 464 | CZK |
| Beta Development, s.r.o. | 5 144 | - | 5 144 | (5 144) | - | - | - | - | - | - | - | 658 | CZK |
| Brno Centrum, s.r.o. | - | - | - | - | - | - | - | - | - | - | - | 4 571 | CZK |
| Bubny development, s.r.o. | 31 322 502 | 2 442 676 | 33 765 178 | - | 33 765 178 | 2 442 676 | 24 547 285 | 1 788 218 | 26 335 503 | - | 26 335 503 | 1 788 218 | CZK |
| Capellen Invest s.a. | 6 717 243 | 551 104 | 7 268 347 | (3 481 454) | 3 786 893 | 551 104 | 6 583 527 | 533 716 | 7 117 243 | (2 721 759) | 4 395 484 | 533 716 | EUR |
| CEREM SA | 40 713 229 | 3 344 666 | 44 057 895 | (34 577 163) | 9 480 732 | 3 344 666 | 40 856 518 | 2 456 162 | 43 312 680 | (31 536 725) | 11 775 955 | 2 456 162 | EUR |
| City Gate, s.r.o. | - | - | - | - | - | - | - | - | - | - | - | 12 424 | EUR |
| Darilla, a.s. | 55 635 | 4 319 | 59 954 | (59 954) | - | 4 319 | 49 121 | 991 | 50 112 | (49 121) | 991 | 991 | CZK |
| Development Doupovská, s.r.o. | 1 359 200 | 102 286 | 1 461 486 | - | 1 461 486 | 102 286 | 1 031 464 | 81 288 | 1 112 752 | - | 1 112 752 | 81 288 | CZK |
| Development Vision Sp Z.o.o. | - | - | - | - | - | 6 831 | - | - | - | - | - | - | PLN |
| Diana Property, Sp. z o.o. | 63 088 | 7 434 | 70 523 | - | 70 523 | 54 638 | 75 641 | 3 168 | 78 810 | - | 78 810 | 13 719 | PLN |
| Diana Property, Sp. z o.o. | 512 255 | 60 923 | 573 178 | - | 573 178 | - | 762 255 | 10 551 | 772 805 | - | 772 805 | - | EUR |
| Domain, Sp. z o.o. | - | - | - | - | - | - | - | - | - | - | - | 2 546 | PLN |
| Endurance Advisory Company, s.a. | - | - | - | - | - | 49 824 | - | - | - | - | - | - | EUR |
| Endurance HC Eta, s.à r.l. | 6 794 | - | 6 794 | - | 6 794 | - | - | - | - | - | - | - | EUR |
| Endurance Hospitality Asset | 117 883 | 8 899 | 126 782 | (126 782) | - | 8 899 | 96 651 | 7 732 | 104 383 | (104 383) | - | 7 732 | EUR |
| Endurance Hospitality Finance, s.à.r.l. | 82 888 220 | 68 064 | 82 956 284 | (53 220 581) | 29 735 703 | 68 064 | 37 018 753 | - | 37 018 753 | - | 37 018 753 | - | EUR |
| Endurance Real Estate Management Co. s.a. | 1 978 273 | 168 001 | 2 146 274 | - | 2 146 274 | 168 001 | 3 880 000 | 100 609 | 3 980 609 | - | 3 980 609 | 100 609 | EUR |
| Energia Jeden, Sp. z o.o. | - | - | - | - | - | 1 784 | - | - | - | - | - | - | PLN |
| ENOR-Hungary Kft. | - | - | - | - | - | 77 | - | - | - | - | - | - | EUR |
| Hagibor Office Building, a.s. | 3 634 470 | 288 391 | 3 922 861 | (0) | 3 922 861 | 288 391 | 1 623 916 | 1 726 650 | 3 350 566 | - | 3 350 566 | 1 726 650 | CZK |
| Hospitality Invest, s.à.r.l. | - | - | - | - | - | - | - | - | - | - | - | 23 110 | EUR |
| IPB Real,a.s. | 166 011 | 171 913 | 337 924 | - | 337 924 | 214 843 | - | - | - | - | - | 166 642 | CZK |
| IPB Real,s.r.o. | 2 929 950 | 209 354 | 3 139 305 | (1 604 519) | 1 534 785 | 209 354 | 2 174 167 | 161 793 | 2 335 959 | (1 074 316) | 1 261 644 | 161 793 | CZK |
| Jihovychodni Mesto,a.s. | 10 016 080 | 804 702 | 10 820 782 | - | 10 820 782 | 804 702 | 8 486 871 | 657 522 | 9 144 392 | - | 9 144 392 | 657 522 | CZK |
| Londýnská 39, s.r.o. | - | - | - | - | - | - | - | - | - | - | - | 20 272 | CZK |
| Londýnská 41, s.r.o. | - | - | - | - | - | - | - | - | - | - | - | 14 067 | CZK |

| | As at December 31, 2010 | | | | | 2010 | As at December 31, 2009 | | | | | 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Affiliated undertakings** | **Loan nominal** | **Accrued Interest** | **Total gross value** | **Impairments** | **Net book value** | **Interest income** | **Loan nominal** | **Accrued Interest** | **Total gross value** | **Impairments** | **Net book value** | **Interest income** | Original Currency |
| M & O Sp z.o.o. | 2 097 693 | 334 317 | 2 432 010 | (339 188) | 2 092 822 | 172 975 | 2 008 209 | 161 342 | 2 169 551 | (15 121) | 2 154 430 | 161 342 | PLN |
| Machova-Orco ,a.s. | - | - | - | - | - | - | - | 51 098 | 51 098 | (51 098) | - | 51 098 | CZK |
| Meder 36 Kft | 1 201 072 | 96 086 | 1 297 157 | (1 174 667) | 122 491 | 96 086 | 1 113 049 | 88 023 | 1 201 072 | (1 201 072) | - | 88 023 | EUR |
| Megaleiar A.S. | 5 231 | 57 377 | 62 608 | - | 62 608 | 57 377 | 646 491 | 44 769 | 691 260 | - | 691 260 | 44 769 | CZK |
| Mikhailovka Land o.o.o. | 20 057 | 1 479 | 21 536 | (21 536) | - | 1 479 | 3 471 | - | 3 471 | - | 3 471 | - | USD |
| MMR Management, s.r.o. | 728 422 | 160 | 728 582 | - | 728 582 | 9 458 | 85 408 | 7 269 | 92 678 | - | 92 678 | 7 269 | EUR |
| MMR Russia sàrl | 444 157 | - | 444 157 | - | 444 157 | 1 767 933 | 39 614 671 | 7 392 568 | 47 007 239 | (1 473 079) | 45 534 160 | 8 121 533 | EUR |
| MMR Yougoslavia | 22 994 | - | 22 994 | (22 994) | - | - | 22 994 | - | 22 994 | (22 994) | - | - | EUR |
| N W D C Company spol. s r.o. | - | - | - | - | - | - | - | - | - | - | - | 6 441 | CZK |
| Na Poříčí, a.s. | 5 380 076 | 394 130 | 5 774 207 | - | 5 774 207 | 394 130 | 3 516 360 | 890 988 | 4 407 348 | - | 4 407 348 | 890 988 | CZK |
| Nové Medlánky, a.s. | - | - | - | - | - | - | - | - | - | - | - | 7 375 | CZK |
| Nupaky a.s. | 3 712 | 353 290 | 357 002 | - | 357 002 | 353 290 | 4 024 315 | 330 589 | 4 354 905 | - | 4 354 905 | 330 589 | CZK |
| Office Center Hradčanská, a.s. | 10 461 061 | 841 486 | 11 302 547 | (10 564 189) | 738 358 | 841 486 | 8 386 627 | 965 382 | 9 352 009 | (9 352 009) | - | 965 382 | CZK |
| Office II Invest, s.a. | 1 351 280 | 124 465 | 1 475 745 | - | 1 475 745 | 124 465 | 932 095 | - | 932 095 | (326 827) | 605 268 | - | EUR |
| Onset a.s. | 9 275 | 214 819 | 224 095 | - | 224 095 | 214 819 | 2 449 942 | 186 570 | 2 636 512 | (1 174 248) | 1 462 264 | 186 570 | CZK |
| OPG France, s.a.s. | 300 | - | 300 | - | 300 | - | - | - | - | - | - | - | EUR |
| Orco Adriatic d.o.o. | 3 919 014 | 238 320 | 4 157 334 | (2 229 170) | 1 928 164 | 339 813 | 2 547 219 | 114 939 | 2 662 157 | (1 402 132) | 1 260 026 | 114 939 | EUR |
| Orco Blumentálska, a.s. | 13 010 649 | 715 191 | 13 725 840 | (13 725 840) | - | 875 772 | 11 868 978 | 945 691 | 12 814 668 | (12 814 668) | - | 945 691 | EUR |
| Orco Bucharest | 2 511 | - | 2 511 | (2 511) | - | - | 2 511 | - | 2 511 | (2 511) | - | - | EUR |
| Orco Budapest Zrt. | 4 211 398 | 344 365 | 4 555 763 | (4 555 763) | - | 344 365 | 5 247 620 | 354 968 | 5 602 587 | (5 602 587) | - | 354 968 | EUR |
| Orco Commercial Sp. z o.o. | 5 001 910 | 912 656 | 5 914 565 | (1 481 567) | 4 432 999 | 426 576 | 6 169 809 | 486 080 | 6 655 888 | (1 060 412) | 5 595 477 | 486 080 | PLN |
| Orco Construction Sp. z o.o. | 5 006 688 | 792 834 | 5 799 522 | (5 799 522) | - | 410 805 | 4 759 117 | 382 028 | 5 141 145 | (4 070 562) | 1 070 583 | 382 028 | PLN |
| Orco Development Kft | 14 410 | 1 121 | 15 531 | (14 516) | 1 015 | 1 121 | 9 430 | 1 179 | 10 609 | (10 609) | - | 1 179 | EUR |
| Orco Development Sp. z o.o. | 3 277 535 | 506 049 | 3 783 584 | (3 783 584) | - | 266 333 | 3 066 627 | 239 716 | 3 306 344 | (3 306 344) | - | 239 716 | PLN |
| ORCO Development, s.r.o. | 6 485 309 | 493 506 | 6 978 815 | - | 6 978 815 | 493 506 | 5 665 414 | 448 064 | 6 113 478 | - | 6 113 478 | 448 064 | EUR |
| Orco Enterprise Sp. z.o.o. | 1 468 170 | 729 086 | 2 197 256 | (1 372 411) | 824 845 | 311 617 | 5 910 804 | 417 469 | 6 328 273 | (1 764 320) | 4 563 953 | 417 469 | PLN |
| Orco Estate Sp.z.o.o. | 1 774 464 | 277 571 | 2 052 035 | (2 052 035) | - | 144 496 | 1 663 741 | 133 075 | 1 796 816 | (1 796 816) | - | 133 075 | PLN |
| Orco Estate,s.r.o. | - | - | - | - | - | 32 098 | 1 028 370 | 76 975 | 1 105 345 | - | 1 105 345 | 76 975 | CZK |
| ORCO Estates, s.r.o. | 12 496 510 | 962 366 | 13 458 877 | (10 933 612) | 2 525 264 | 962 366 | 10 924 282 | 848 463 | 11 772 745 | (9 300 565) | 2 472 180 | 848 463 | EUR |
| Orco Financial Services, s.r.o. | 4 191 | 18 765 | 22 956 | (12 673) | 10 283 | 18 765 | 170 414 | 15 813 | 186 227 | (186 227) | - | 15 813 | CZK |
| Orco Germany s.a. | 16 237 346 | 1 427 883 | 17 665 229 | - | 17 665 229 | 1 427 883 | 17 038 130 | 1 341 199 | 18 379 329 | - | 18 379 329 | 1 341 199 | EUR |
| Orco Investment,a.s. | - | - | - | - | - | 10 702 | 1 582 553 | 145 886 | 1 728 438 | - | 1 728 438 | 145 886 | CZK |
| Orco Logistic Sp. Z.o.o. | 6 279 137 | 1 007 782 | 7 286 919 | (4 736 471) | 2 550 448 | 502 329 | 6 278 518 | 505 453 | 6 783 971 | (4 692 527) | 2 091 444 | 505 453 | EUR |
| Orco Pokrovka Management o.o.o. | - | - | - | - | - | - | 486 | - | 486 | (486) | - | - | EUR |
| Orco Poland Sp. z o.o. | 754 395 | 202 052 | 956 447 | (788 370) | 168 077 | 72 334 | 2 241 529 | 129 718 | 2 371 247 | (1 724 044) | 647 203 | 129 718 | PLN |
| Orco Praga, s.r.o. | 5 967 087 | 474 198 | 6 441 285 | (6 441 285) | - | 474 198 | 5 163 627 | 423 682 | 5 587 310 | (2 748 663) | 2 838 646 | 423 682 | CZK |
| Orco Prague,a.s. | 1 852 252 | 210 194 | 2 062 446 | (552 377) | 1 510 069 | 210 194 | 1 364 140 | 278 057 | 1 642 197 | - | 1 642 197 | 278 057 | CZK |

| | As at December 31, 2010 | | | | | 2010 | As at December 31, 2009 | | | | | 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Affiliated undertakings** | **Loan nominal** | **Accrued Interest** | **Total gross value** | **Impairments** | **Net book value** | **Interest income** | **Loan nominal** | **Accrued Interest** | **Total gross value** | **Impairments** | **Net book value** | **Interest income** | Original Currency |
| Orco Project Kft. | - | - | - | - | - | 57 | - | - | - | - | - | - | EUR |
| Orco Project, Sp. z o.o. | 4 494 | - | 4 494 | (4 494) | - | - | - | - | - | - | - | 59 706 | PLN |
| Orco Property Management, a.s. | - | - | - | - | - | - | - | - | - | - | - | 44 761 | CZK |
| Orco Property Sp. z o.o. | 19 437 355 | 2 438 677 | 21 876 032 | - | 21 876 032 | 1 206 445 | 14 219 698 | 1 232 232 | 15 451 929 | - | 15 451 929 | 1 232 232 | PLN |
| Orco Razvoj, d.o.o. | 1 093 192 | 87 455 | 1 180 648 | (711 887) | 468 760 | 87 455 | 1 012 215 | 80 977 | 1 093 192 | (547 360) | 545 832 | 80 977 | EUR |
| Orco Residence, s.r.o. | 1 515 226 | 121 218 | 1 636 444 | (1 636 290) | 154 | 121 218 | 1 402 987 | 112 239 | 1 515 226 | (1 515 226) | - | 112 239 | EUR |
| Orco Residential Sp. z o.o. | 780 333 | 1 040 815 | 1 821 148 | - | 1 821 148 | 497 041 | 7 067 257 | 543 774 | 7 611 031 | - | 7 611 031 | 543 774 | PLN |
| Orco Russian Retail, SA | 18 555 577 | 1 461 101 | 20 016 678 | (13 813 064) | 6 203 614 | 1 461 101 | 16 754 027 | 1 334 550 | 18 088 577 | (18 088 577) | - | 1 334 550 | EUR |
| Orco Slovakia, s.r.o. | 640 956 | 54 112 | 695 068 | (632 183) | 62 885 | 54 112 | 463 330 | 26 831 | 490 160 | (366 937) | 123 224 | 26 831 | EUR |
| Orco Vagyonkezelő, Kft. | - | 31 185 | 31 185 | - | 31 185 | 31 185 | 916 975 | 66 427 | 983 401 | - | 983 401 | 66 427 | EUR |
| Orco Vinohrady, a.s. | - | - | - | - | - | - | - | - | - | - | - | 7 391 | CZK |
| Orco-Molcom B.V. | 16 348 | 412 | 16 760 | - | 16 760 | 3 193 245 | 3 073 673 | 303 737 | 3 377 411 | - | 3 377 411 | 3 378 442 | EUR |
| Orco-Molcom B.V. | - | - | - | - | - | - | 30 432 080 | 3 074 705 | 33 506 785 | - | 33 506 785 | - | USD |
| Origo Investment Kft | - | - | - | - | - | - | - | - | - | - | - | 130 520 | EUR |
| Pachtuv Palac s.r.o. | 6 892 794 | 517 172 | 7 409 965 | - | 7 409 965 | 517 172 | 5 685 527 | 408 301 | 6 093 828 | (3 160 119) | 2 933 709 | 408 301 | EUR |
| Palito, a.s. | - | - | - | - | - | - | 129 547 | 5 332 | 134 879 | (89 039) | 45 840 | 5 332 | CZK |
| Prvni Kvintum Praha a.s. | 856 021 | 65 776 | 921 797 | - | 921 797 | 65 776 | 701 738 | 43 510 | 745 247 | - | 745 247 | 42 102 | CZK |
| Residence Masaryk, a.s. | - | - | - | - | - | 295 594 | 6 762 480 | 655 264 | 7 417 745 | (2 358 443) | 5 059 301 | 655 264 | CZK |
| Seattle, s.r.o. | - | - | - | - | - | - | - | - | - | - | - | 16 041 | CZK |
| Suncani HVAR, d.d. | 8 711 028 | 2 403 967 | 11 114 995 | - | 11 114 995 | 1 032 612 | 8 544 410 | 1 326 946 | 9 871 356 | - | 9 871 356 | 1 326 946 | EUR |
| Theonia Entreprises Company Ltd | 8 560 | - | 8 560 | (7 948) | 612 | - | 2 990 | - | 2 990 | - | 2 990 | - | EUR |
| TQE Asset, a.s. | 4 111 985 | 214 302 | 4 326 287 | - | 4 326 287 | 214 302 | 282 407 | 1 294 663 | 1 577 071 | - | 1 577 071 | 1 294 663 | CZK |
| Váci 1 Kft. | 4 181 416 | 143 706 | 4 325 122 | - | 4 325 122 | 143 706 | 3 731 723 | 115 262 | 3 846 985 | - | 3 846 985 | 115 262 | EUR |
| Vinohrady s.a.r.l. | 42 218 | 29 024 | 71 242 | - | 71 242 | 29 024 | 534 635 | 51 375 | 586 010 | - | 586 010 | 51 375 | EUR |
| Viterra Cescka spol. S.r.o. | 49 044 | 158 007 | 207 051 | (37 471) | 169 580 | 158 007 | 1 851 179 | 215 177 | 2 066 356 | (2 066 356) | - | 215 177 | EUR |
| Vysočanská brána, a.s. | 8 000 571 | 609 842 | 8 610 414 | (8 610 414) | - | 609 842 | 6 639 374 | 549 093 | 7 188 467 | (4 896 455) | 2 292 012 | 549 093 | CZK |
| Záhřebská 35, s.r.o. | - | - | - | - | - | - | - | - | - | - | - | 24 805 | CZK |
| | 373 217 508 | 29 895 100 | 403 112 609 | (189 140 380) | 213 972 229 | 30 369 345 | 404 699 157 | 37 588 413 | 442 287 571 | (138 502 907) | 303 784 664 | 39 263 614 | |

### 9.2 Other loans

The Company provided a subordinated bridge loan to BB C – Building E, k.s., a Czech subsidiary of the Endurance Fund, pursuant to the loan agreement dated 15 October 2010. The loan was used to cover an extraordinary payment required by the financing bank. The Company's loan of EUR 700,000 has a final repayment date of 26 August 2013 and bears an annual interest of 30%.

On 4 December 2008, the Company has granted a seller's financing of EUR 1.4 million (which was 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 was granted for a period of 7 years ending on 31 December 2015. Vignette Investments S.A. and the Company agreed to unwind the transaction following termination of cooperation. As such, 10% of the shares of MMR Management s.r.o. were returned by Vignette Investissements S.A. to the Company with effective date 16 December 2010.

The movements are follows:

| In EUR | Gross amount | Impairments | Net book value |
|---|---|---|---|
| **Balance at 1 January 2009** | **1 400 000** | **-** | **1 400 000** |
| Additions / (Impairments) | - | (1 400 000) | (1 400 000) |
| (Disposals) / Reversal of impairments | - | - | - |
| **Balance at 31 December 2009** | **1 400 000** | **(1 400 000)** | **-** |
| Additions / (Impairments) | 700 000 | - | 700 000 |
| (Disposals) / Reversal of impairments | (1 400 000) | 1 400 000 | - |
| **Balance at 31 December 2010** | **700 000** | **-** | **700 000** |

### 9.3 Guarantee deposits and similar

Guarantee deposit and similar financial assets consist of guarantee deposits paid by the Company for a total of EUR 486.805 from which EUR 200.000 as guarantee deposit to KBC Bank N.V. for a cash pooling agreement between all bank accounts opened by the Company with other banks from KBC Bank's group and EUR 160.000 to Ceská Sporitelna Bank for a company project.

The movements are follows:

| In EUR | Gross amount | Impairments | Net book value |
|---|---|---|---|
| **Balance at 1 January 2009** | **200 000** | **-** | **200 000** |
| Additions / (Impairments) | 8 085 | - | 8 085 |
| (Disposals) / Reversal of impairments | - | - | - |
| **Balance at 31 December 2009** | **208 085** | **-** | **208 085** |
| Additions / (Impairments) | 278 720 | - | 278 720 |
| (Disposals) / Reversal of impairments | - | - | - |
| **Balance at 31 December 2010** | **486 805** | **-** | **486 805** |

## 10. Cash and cash equivalents

As at 31 December 2010, the cash and cash equivalents consist of short term deposits for EUR 1.9 million (none in 2009), cash in bank for EUR 2.8 million (EUR 4.3 million in 2009) and cash in stock brokers accounts for EUR 0.1 million (none in 2009).

## 11. Bonds and derivatives

### 11.1 Non-current bonds

| Non-current bonds (in KEUR) | Convertible bonds | Non-convertible bonds | TOTAL |
|---|---|---|---|
| **Balance at 1 January 2009** | **154 439** | **188 205** | **342 644** |
| Interest accumulated during the period | 15 724 | 13 781 | 29 505 |
| Transfert to short term | - | -47 921 | -47 921 |
| Owns Bonds | 3 933 | 8 194 | 12 127 |
| **Balance at 31 December 2009** | **174 096** | **162 259** | **336 355** |
| Interest from 31 Dec to 19 May | 6 113 | 3 278 | 9 391 |
| **Balance at 19 May 2010** | **180 209** | **165 537** | **345 746** |
| Derecognition of bonds | -180 209 | -165 537 | -345 746 |
| Entry of new bonds | 51 141 | 82 744 | 133 885 |
| Interest from 19 May to 31 December | 7 434 | 12 183 | 19 617 |
| **Balance at 31 December 2010** | **58 575** | **94 927** | **153 502** |

- **In 2010**

On 19 May 2010, the Company's Safeguard plan was approved (see note 2.1.1.2). This results in a term out of the repayment of the bonds nominal, accrued interests, and interest to accrue over the ten years Safeguard plan, with effect from 30 April 2010 as described by the amortisation table included in note 2.1.1.2. As a result the bonds covered by the Safeguard plan (all the bonds issued by the Company) have been derecognised and termed out bonds have been recorded at fair value at the date of the approval of the Safeguard plan. The fair value has been estimated by Management with the assistance of an independent expert (Grant Thornton). On the basis of comparables, the effective interest rate of the "Safeguard bonds" was set at 23.1% resulting in a total value of EUR 142.9 million at 19 May 2010 out of which EUR 133.9 million is classified as Non-current.The derecognition of the debts results in a gain of EUR 281.8 million.

Consequently to the approval of the Safeguard plan, the terms of the restructured bonds are identical to the ones described in the 31 December 2009 stand alone financial statements except for the following points:

- Call options on the Company's shares embedded in the 2013 convertible bonds can now only be served by delivering new shares.
- Call options on the Suncani Hvar d.d. shares embedded in the 2012 exchangeable bonds are void.
- The conditional redemption premium on the 2010 bond will only be repaid in 2020 upon realization of conditions.
- A fixed exchange rate has been defined for the repayment of the Czech bonds by 27.295 CZK for 1 Euro.

As at 31 December 2010, the fair value of the bonds, valued by Management, amounts to EUR 168.4 million for the termed out bonds.

| In KEUR | Carrying value of termed out bonds | Fair value of termed out bonds |
|---|---|---|
| Bonds | 153 502 | 168 350 |
| **Bonds as at 31/12/2010** | **153 502** | **168 350** |

- **In 2009**

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 Company 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).

#### 11.2 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:

**Due to the application of the Safeguard plan (see note 2.1.1.2), the terms and conditions have been changed for the following ones:**

**Bonds**

| | |
|---|---|
| Nominal | EUR 24,169,193 |
| Number of bonds | 928,513 |
| Nominal value per bond | EUR 26.03 |
| Deemed issue price per bond | EUR 10.38 |
| Effective interest rate | 23.1 % |
| Exchange at the discretion of bondholder | NA |
| Repayment date | the non exchanged bonds will be reimbursed at nominal value in cash following the repayment schedule of the Safeguard plan and until 30 April 2020 |
| ISIN | XS0223586420 |
| Listing | Luxembourg Stock Exchange |

Repayment schedule for interests and principal according to the Safeguard Plan (in KEUR)

| | 30 April 2011 | 30 April 2012 | 30 April 2013 | 30 April 2014 | 30 April 2015 | 30 April 2016 | 30 April 2017 | 30 April 2018 | 30 April 2019 | 30 April 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Principal | - | - | - | - | - | 20 | 2 536 | 4 221 | 6 771 | 10 621 |
| Interests | 773 | 1 932 | 1 932 | 1 932 | 1 932 | 1 912 | 1 328 | 1 189 | 957 | 584 |

**Terms and conditions before 19 May 2010**

**Bonds**

| | |
|---|---|
| Nominal | EUR 24,169,193 |
| Number of bonds | 928,513 |
| Issue price per bond | 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 2010 and 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 were deducted from the funds raised. The derivative component of EUR 0.7 million in 2009 and classified in derivatives financial instruments (non-current) has been derecognized in 2010, as application of the Safeguard plan does not enable to exchange the bonds into Suncani Hvar DD shares. In this context, the exchangeable bonds are now fully reported as non convertible bonds.

**In KEUR**

| | |
|---|---|
| **Balance at 31 December 2008** | **19 395** |
| Interest accumulated during the period | 1 664 |
| Owns Bonds | 2 662 |
| **Balance at 31 December 2009** | **23 721** |
| Interest from 31 Dec to 19 May | 56 |
| **Balance at 19 May 2010** | **23 777** |
| Derecognition of bonds | -23 777 |
| Entry of new bonds | 9 635 |
| Interest from 19 May to 31 December | 1 323 |
| **Balance at 31 December 2010** | **10 958** |

As at 31 December 2010, the market price of Hvar dd shares on the Zagreb Stock Exchange was HRK 29.74 (HRK 29.50 at 31 December 2009).

As 31 December 2010, the current part of the bonds amounts to EUR 0.8 million (nil in 2009).

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

In 2007, the Company 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 11.6 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.

**Amendments applicable in 2010**

As from 20 January 2010 the warrantholders resolved that the remaining 21,161 embedded warrants ("BSAR 2012"), corresponding to 15 warrants per issued bond, can be exercised to obtain Orco shares according to a 1/8.7 ratio and at an exercise price of EUR 60.90, which implied that 1 share = EUR 7. The exercise period starts on 20 January 2010 and ends on 15 February 2010.

As from 20 January 2010 the warrantholders resolved to modify the "Soft Call Prices" (the option by the issuer to reimburse the warrants) in three different tranches:
The first tranche (1/3 of the warrants) = to EUR 87
The second tranche (1/3 of the warrants) = to EUR 130.5
The third tranche (1/3 of the warrants) = to EUR 174

As from 15 February 2010 it was resolved that the remaining 21,161 embedded warrants ("BSAR 2012"), corresponding to 15 warrants per issued bond, can be exercised to obtain Orco shares according to a 1/1.03 ratio and at an exercise price of EUR 7.21, which implied that 1 share = EUR 7. The exercise period starts on 16 February 2010 and ends on 18 November 2012.

As from 15 February 2010 the warrantholders resolved to modify the "Soft Call Prices" (the option by the issuer to reimburse the warrants) in three different tranches:
The first tranche (1/3 of the warrants) = to EUR 10.30
The second tranche (1/3 of the warrants) = to EUR 15.45
The third tranche (1/3 of the warrants) = to EUR 20.60

On 22 April 2010, the general meeting of the holders of the warrants 2012 extended the exercise period of the warrants from 18 November 2012 up to 31 December 2019. The exercise price and exercise ratio remain the same.

**Due to the application of the Safeguard plan (see note 2.1.1.2.), the terms and conditions have been changed for the following ones:**

**Bonds**

| | |
|---|---|
| Nominal | EUR 50,272,605 |
| Number of bonds | 73,273 |
| Nominal value per bond | EUR 686.10 |
| Deemed issue price per bond | EUR 237.02 |
| Redemption | 30 April 2020 |
| Normal Redemption | the OBSAR 1 will be reimbursed at nominal value in cash following the repayment schedule of the Safeguard plan and until 30 April 2020 |
| Early Redemption | NA |
| Effective interest rate | 23.1% |
| 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 7.21 |
| Exercise period | until 31 December 2019 |
| Early repayment | From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01 |
| ISIN | LU0234878881 |
| Listing | Euronext – Paris |

Repayment schedule for interests and principal according to the Safeguard Plan (in KEUR)

| | 30 April 2011 | 30 April 2012 | 30 April 2013 | 30 April 2014 | 30 April 2015 | 30 April 2016 | 30 April 2017 | 30 April 2018 | 30 April 2019 | 30 April 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Principal | - | - | - | - | 129 | 1 567 | 5 277 | 8 667 | 13 683 | 20 948 |
| Interests | 1 105 | 2 920 | 3 146 | 3 373 | 3 470 | 2 256 | 2 186 | 1 948 | 1 558 | 943 |

**Terms and conditions before 19 May 2010**

**Bonds**

| | |
|---|---|
| Nominal | EUR 50,272,605 |
| 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 |
| 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 were deducted from the funds raised. At issuance, the equity component (EUR 3.7 million reduced by EUR 2.4 million deferred taxes), classified in other reserves, represented the market value of the subscription warrants embedded in the bond.

On 18 November 2010, end of the exercise period of the early redemption option, the average share price of the OPG shares over ten stock exchange trading sessions preceding the redemption date (EUR 7.47 on the Euronext stock Exchange) was above the exercice price of the redeemable share subscription warrant (EUR 7.21). In this context, no redemption premium is due to the bondholder, the derivative has been derecognized through income statement for a total profit of EUR 6.8 million.

As 31 December 2010, the current part of the bonds amounts to EUR 1.1 million (EUR 47.9 million in 2009).

**In KEUR**

| | |
|---|---|
| **Balance at 31 December 2008** | **45,488** |
| Interests accumulated during the period | 2,433 |
| **Balance at 31 December 2009** | **47,921** |
| Interests from 31 Dec to 19 May | 972 |
| ***Balance at 19 May 2010*** | ***48,893*** |
| Derecognition of Bonds | -48,893 |
| Entry of new bonds | 17,368 |
| Interests from 19 May to 31 December 2010 | 2,385 |
| **Balance at 31 December 2010** | **19,753** |

**11.4 Convertible bonds 2006-2013**

**Due to the application of the Safeguard plan (see note 2.1.1.2), the terms and conditions have been changed for the following ones:**

**Bonds**

| | |
|---|---|
| Nominal | EUR 149,999,928 |
| Number of bonds | 1,086,956 |
| Nominal value per bond | EUR 138.00 |
| Deemed issue price per bond | EUR 49.81 |
| Redemption price if not converted | 138.62% of par at EUR 191.29; i.e. a gross yield-to-maturity of 5.65% |
| Effective interest rate | 23.1 % |
| Normal Redemption | the non converted bonds will be reimbursed at nominal value in cash following the repayment schedule of the Safeguard plan and until 30 April 2020 |
| Conversion ratio | One new share for one bond |
| Early Redemption | Subject to the one month's notice to bearers before the early redemption date, the Group (with the approval of the "Tribunal de Commerce de Paris") 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 |

Repayment schedule for interests and principal according to the Safeguard Plan (in KEUR)

| | 30 April 2011 | 30 April 2012 | 30 April 2013 | 30 April 2014 | 30 April 2015 | 30 April 2016 | 30 April 2017 | 30 April 2018 | 30 April 2019 | 30 April 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Principal | 3,000 | 3,433 | 6,425 | 16,536 | 9,818 | 9,814 | 21,008 | 29,959 | 43,679 | 64,257 |
| Interests | 0 | 4,373 | 1,470 | 2,807 | 1,371 | 1,375 | 1,371 | 1,371 | 1,079 | 643 |

**Terms and conditions before 19 May 2010**

**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 |

| In KEUR | |
|---|---|
| **Balance at 31 December 2008** | **135 044** |
| Interest accumulated during the period | 14 059 |
| Owns Bonds | 1 272 |
| **Balance at 31 December 2009** | **150 375** |
| Interest from 31 Dec to 19 May | 6 057 |
| **Balance at 19 May 2010** | **156 432** |
| Derecognition of bonds | -156 432 |
| Entry of new bonds | 54 141 |
| Interest from 19 May to 31 December | 7 434 |
| **Balance at 31 December 2010** | **61 575** |

As 31 December 2010, the current part of the bonds amounts to EUR 2.9 million (nil in 2009).

As at 31 December 2010 and 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 of 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 Company if the bond is not converted. This premium is amortized as interest over the lifetime of the bond.

In 2010, a subsidiary of the Company invested part of its available funds buying 62,746 bonds on the open market for a total consideration of EUR 1.5 million and selling 35,541 bonds for a total consideration of EUR 1.4 million.

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

As at 31 December 2010, the Company's subsidiaries hold 27 205 bonds (none as at 31 December 2009).

### 11.5 CZK 1.4 billion floating rate bond ("Czech Bond")

**Due to the application of the Safeguard plan (see note 2.1.1.2), the terms and conditions have been changed for the following ones:**

**Bonds**

| | |
|---|---|
| Nominal | EUR 10,991,024 |
| Number of bonds | 30 |
| Nominal value per bond | EUR 366,367 |
| Deemed issue price per bond | EUR 135,806 |
| Nominal interest rate | 23.1 % |
| Final redemption date | 30 April 2020 |
| ISIN | CZ0000000195 |
| Listing | Prague Stock Exchange |
| Fixed exchange rate applied | 27.295 CZK for 1 EUR |

Repayment schedule for interests and principal according to the Safeguard Plan (in KEUR)

| | 30 April 2011 | 30 April 2012 | 30 April 2013 | 30 April 2014 | 30 April 2015 | 30 April 2016 | 30 April 2017 | 30 April 2018 | 30 April 2019 | 30 April 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Principal | - | - | - | 47 | 279 | 291 | 1,124 | 1,832 | 2,903 | 4,515 |
| Interests | 327 | 817 | 817 | 770 | 538 | 526 | 510 | 455 | 365 | 223 |

**Terms and conditions before 19 May 2010**

**Bonds**

| | |
|---|---|
| Nominal | CZK 1,400,000,000 |
| Number of bonds | 140 |
| Nominal value per bond | CZK 10,000,000 |
| Issue price per bond | 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 |

**IN KEUR**

| | |
|---|---|
| **Balance at 31 December 2008** | **11,075** |
| Interests accumulated during the period | 26 |
| Translation differences | 196 |
| **Balance at 31 December 2009** | **11,297** |
| Interests from 31 Dec to 19 May | 335 |
| ***Balance at 19 May 2010*** | ***11,632*** |
| Derecognition of Bonds | -11,632 |
| Entry of new bonds | 4,074 |
| Interests from 19 May to 31 December 2010 | 560 |
| **Balance at 31 December 2010** | **4,634** |

As 31 December 2010, the current part of the bonds amounts to EUR 0.3 million (EUR 11.3 million in 2009).

Based on requests for early redemption received from individual holders following the downgrade of rating by Moody's, the Company 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 2.1.1.2 for covenants explaining the non-repayment of the balance in 2009 due to the Safeguard procedure.

### 11.6 Bonds with repayable subscription warrants ("OBSAR 2")

Refer to the note 11.3 on the OBSAR 1 concerning the exchange offer on the 2012 callable warrants.

On 16 December 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 not 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 as from February 16, 2010**

Each warrant 2014 shall entitle the holder to acquire 1.60 existing shares and/or subscribe to 1.60 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 not less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR16 for the first tranche being one third of outstanding warrants; EUR 24 for the second tranche being half of outstanding warrants; and EUR 32 for the remaining outstanding warrants.

On 25 March 2010, a general meeting of the holders of warrants 2014 was held and approved the extension of the exercise period of the warrants 2014 until 31 December 2019.

**Due to the application of the Safeguard plan (see note 2.1.1.2), the terms and conditions have been changed for the following ones:**

**<u>Bonds</u>**

| | |
|---|---|
| Issuer | Orco Property Group S.A. |
| Nominal | EUR 175,000,461 |
| Number of bonds | 119,544 |
| Nominal value per bond | EUR 1,463.90 |
| Deemed issue price per bond | EUR 482,21 |
| Redemption | 30 April 2020 |
| Redemption price | 117.5% of par at EUR 1,720.08 |
| Effective interest rate | 23.1 % |
| ISIN | XS0291838992 / XS0291840626 |
| Listing | Euronext - Brussels |

**<u>Warrants</u>**

| | |
|---|---|
| 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 | 1 warrant gives the right to 1.73 shares (after taking into account anti-dilutive clauses as a result of capital increases of April 2010) |
| Exercise price | EUR 11.2 |
| Exercise period | until 31 December 2019 |
| Early repayment | From 16 February 2010, 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 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. |
| ISIN | XS0290764728 |
| Listing | Euronext - Brussels |
| | Euronext - Paris |

| | 30 April 2011 | 30 April 2012 | 30 April 2013 | 30 April 2014 | 30 April 2015 | 30 April 2016 | 30 April 2017 | 30 April 2018 | 30 April 2019 | 30 April 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Principal | - | - | 1,119 | 6,221 | 6,785 | 7,328 | 18,582 | 28,316 | 42,746 | 94,528 |
| Interests | 3,774 | 9,747 | 9,071 | 4,407 | 4,250 | 4,089 | 3,892 | 3,421 | 2,703 | 1,624 |

**Terms and conditions before 19 May 2010**

**<u>Bonds</u>**

| | |
|---|---|
| Issuer | Orco Property Group S.A. |
| Nominal | EUR 175,000,461 |
| 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.

**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 | 1 warrant gives the right to 1.03 shares (before amendments) |
| Exercise price | EUR 146.39 (before amendments) |
| Exercise period | until 28 March 2014 |
| Early repayment | From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceeding period of 30 consecutive dealing days exceeds EUR 190.31 (before amendments) |
| ISIN | XS0290764728 |
| Listing | Euronext - Brussels |
| | Euronext - Paris |

The funds raised with this bond have been, at issuance, divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond were 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.

| In KEUR | |
|---|---|
| **Balance at 31 December 2008** | **142 717** |
| Interest accumulated during the period | 11 348 |
| Owns Bonds | 8 194 |
| **Balance at 31 December 2009** | **162 259** |
| Interest from 31 Dec to 19 May | 3 277 |
| **Balance at 19 May 2010** | **165 536** |
| Derecognition of bonds | -165 536 |
| Entry of new bonds | 57 645 |
| Interest from 19 May to 31 December | 7 915 |
| **Balance at 31 December 2010** | **65 560** |

As 31 December 2010, the current part of the bonds amounts to EUR 3.8 million (nil in 2009).

As at 31 December 2010, the Company's subsidiaries owned 15,633 bonds (8,533 in 2009), amounting to EUR 2.4 million (EUR 1.4 million as at 31 December 2009).

In 2010, a subsidiary of the Company invested part of its available funds buying 7,100 bonds on the open market for a total consideration of EUR 2.4 million.

### 11.7 Current bonds

As at 31 December 2010, the movements in current bonds are the following:

| Current bonds<br>In KEUR | Convertible bonds | Non-convertible bonds | TOTAL |
|---|---|---|---|
| **Balance at 31 December 2008** | **0** | **11 075** | **11 075** |
| Transfer from non-current | | 47 921 | 47 921 |
| **Balance at 31 December 2009** | **0** | **58 996** | **58 996** |
| Interest from 31 Dec to 19 May | | 1 529 | 1 529 |
| **Balance at 19 May 2010** | **0** | **60 525** | **60 525** |
| Derecognition of bonds | | -60 525 | -60 525 |
| Entry of new bonds | 3 000 | 5 978 | 8 978 |
| **Balance at 31 December 2010** | **3 000** | **5 978** | **8 978** |

As at 31 December 2010 the current portion of the total bonds amounts to EUR 9.0 million, following the application of the repayment schedule of the Safeguard plan.

### 11.8 Derivatives

Derivative instruments are presented within other current assets when fair value is positive, within other current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under "Net gain/(loss) on financial instruments at fair value".

Derivatives used by the Company include interest rate derivatives and embedded derivatives in bonds.

In 2009, Embedded derivatives on bonds correspond to the derivatives embedded in the OBSAR 2 and in the Exchangeable bonds in Suncani Hvar shares (see notes on the specific bonds 11.2 and 11.6).

The Company uses various types of interest rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates.

Interest rate derivatives represent interest rate swaps. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. Valued at their fair value, interest rate swaps cover floating interest rates against fixed rates.

| In KEUR | 31 December 2010 | 31 December 2009 |
|---|---|---|
| Share derivatives | | 703 |
| Embedded derivatives on bonds | | 6 817 |
| Interest rate derivatives | | 2 020 |
| **Total non-current liabilities** | **0** | **9 540** |
| Embedded derivatives on bonds | | |
| Forex derivatives | 1 137 | 2 440 |
| **Total current liabilities** | **1 137** | **2 440** |
| **Net derivatives** | **-1 137** | **-11 980** |

### 11.9 Average effective interest rates (current and non-current)

| | 31 December 2010 | |
|---|---|---|
| | EUR | CZK |
| Termed out bonds after 19 May 2010 | 23,10% | - |
| Termed out bonds before 19 May 2010 | 7,31% | 7,67% |

| | 31 December 2009 | |
|---|---|---|
| | EUR | CZK |
| Bonds | 9,05% | 4,52% |

## 12. Loans from affiliated undertakings

Loans from affiliated undertakings are detailed as follows (in EUR):

| Affiliated undertakings | Country | As at December 31, 2010 Loan nominal | Accrued Interest | Total Loan | 2010 Interest expenses | As at December 31, 2009 Loan nominal | Accrued Interest | Total Loan | 2009 Interest expenses | Original Currency |
|---|---|---|---|---|---|---|---|---|---|---|
| Americká - Orco, a.s | Czech Republic | - | - | - | - | - | - | - | 17 567 | CZK |
| Anglicka 26,s.r.o. | Czech Republic | - | - | - | 228 714 | 4 800 093 | 380 932 | 5 181 025 | 200 557 | CZK |
| Brno Centrum, s.r.o. | Czech Republic | - | - | - | - | - | - | - | 52 631 | CZK |
| Bubenská 1, a.s. | Czech Republic | 7 824 823 | 694 203 | 8 519 026 | 694 203 | 7 895 956 | 617 030 | 8 512 986 | 617 030 | CZK |
| CWM 35 Kft | Hungary | 17 298 491 | 388 737 | 17 687 228 | 388 737 | 16 067 629 | 1 288 046 | 17 355 675 | 1 288 046 | EUR |
| Endurance Advisory Company, s.a. | Luxembourg | 128 256 | 5 518 | 133 774 | 5 518 | - | - | - | - | EUR |
| Endurance Hospitality Asset, sàrl | Luxembourg | 729 609 | - | 729 609 | - | 729 609 | - | 729 609 | - | EUR |
| Hospitality Invest sàrl | Luxembourg | - | - | - | - | - | - | - | 125 | EUR |
| IPB Real Reality as | Czech Republic | - | - | - | 18 | 4 308 | 272 | 4 580 | 272 | CZK |
| IPB Real,a.s. | Czech Republic | - | - | - | 160 864 | 5 316 629 | 853 074 | 6 169 703 | 853 074 | CZK |
| Jeremiášova Invest, s.r.o. | Czech Republic | 689 374 | 60 746 | 750 120 | 60 746 | 674 662 | 57 507 | 732 169 | 57 507 | CZK |
| Londýnská 26, a.s. | Czech Republic | - | - | - | - | - | - | - | 50 324 | CZK |
| Londýnská 39, s.r.o. | Czech Republic | - | - | - | - | - | - | - | 414 | CZK |
| Londýnská 41, s.r.o. | Czech Republic | - | - | - | - | - | - | - | 44 603 | CZK |
| Machova-Orco ,a.s. | Czech Republic | 330 376 | 38 420 | 368 796 | 38 420 | 523 023 | 53 138 | 576 161 | 1 949 | CZK |
| Mánesova 28, a.s. | Czech Republic | - | - | - | - | - | - | - | 93 160 | CZK |
| MMR Management, s.r.o. | Czech Republic | - | 13 758 | 13 758 | 13 758 | - | - | - | 600 | EUR |
| Nad Petruskou,s.r.o. | Czech Republic | - | - | - | 40 597 | 852 841 | 47 253 | 900 094 | 47 253 | CZK |
| Nove Medlanky as | Czech Republic | - | - | - | 9 885 | 1 241 620 | 55 846 | 1 297 466 | 55 846 | CZK |
| Oak Mill,a.s. | Czech Republic | 868 924 | 66 724 | 935 648 | 66 724 | 726 402 | 54 966 | 781 368 | 54 966 | CZK |
| Orco Estate,s.r.o. | Czech Republic | 423 690 | 16 844 | 440 534 | 16 844 | - | - | - | - | CZK |
| Orco Hungary Kft | Hungary | 66 725 | 5 232 | 71 957 | 5 232 | 98 585 | 8 260 | 106 845 | 8 260 | EUR |
| Orco Project, Sp z o o | Poland | - | 3 571 | 3 571 | 3 100 | 42 653 | 471 | 43 124 | 471 | PLN |
| Orco Vagyonkezelő, Kft. | Hungary | 113 508 | - | 113 508 | - | - | - | - | - | EUR |
| Seattle, sro | Czech Republic | 222 903 | 33 205 | 256 108 | 22 840 | 744 057 | 54 168 | 798 225 | 54 168 | CZK |
| T-O Green Europe, a.s. | Czech Republic | 81 585 | 7 215 | 88 800 | 7 215 | 73 581 | 23 468 | 97 049 | 23 468 | CZK |
| Viterra Development Polska sp.z.o.o. | Poland | 1 969 479 | 1 817 602 | 3 787 081 | 793 739 | 13 851 291 | 1 023 863 | 14 875 154 | 1 023 863 | PLN |
| Zahrebska 35 sro | Czech Republic | 361 227 | 301 202 | 662 429 | 34 793 | 180 660 | 8 337 | 188 997 | 8 337 | CZK |
| | | 31 108 970 | 3 452 977 | 34 561 947 | 2 591 947 | 53 823 599 | 4 526 631 | 58 350 230 | 4 554 490 | |

The Company has global agreement with all its subsidiaries for loans bearing 8% interest and a maturity on 31 December 2020.

## 13. Trade and other payables

| As at 31 December 2010<br>In EUR | Less than 1 month | Between 1 and 6 months | Between 6 months and 1 year | TOTAL |
|---|---|---|---|---|
| Trade payables (included interco) | 2 203 738 | - | - | **2 203 738** |
| Bank overdrafts | 5 167 | - | - | **5 167** |
| Payable on assets purchase | 2 113 294 | - | - | **2 113 294** |
| Fiscal liabilities | 2 950 077 | - | - | **2 950 077** |
| Accrued liabilities | 565 877 | 2 000 000 | 200 000 | **2 765 877** |
| Debt on realized FX Forward agreement | - | - | 1 161 349 | **1 161 349** |
| Other current liabilities | 192 521 | - | - | **192 521** |
| **Total** | **8 030 674** | **2 000 000** | **1 361 349** | **11 392 023** |

| As at 31 December 2009<br>In EUR | Less than 1 month | Between 1 and 6 months | Between 6 months and 1 year | TOTAL |
|---|---|---|---|---|
| Trade payables (included interco) | 1 722 313 | - | - | **1 722 313** |
| Bank overdrafts | 35 | - | - | **35** |
| Accrued interest on bonds | - | - | 14 529 980 | **14 529 980** |
| Payable on assets purchase | 2 070 365 | - | - | **2 070 365** |
| Fiscal liabilities | 1 270 324 | - | - | **1 270 324** |
| Accrued liabilities | 145 000 | 500 000 | 100 000 | **745 000** |
| Debt on realized FX Forward agreement | - | - | 1 312 586 | **1 312 586** |
| Other current liabilities | 670 631 | - | - | **670 631** |
| **Total** | **5 878 668** | **500 000** | **15 942 566** | **22 321 234** |

## 14. Administrative expenses and employee benefits

| | **Year ended 31 December** | |
|---|---|---|
| **In EUR** | **2010** | **2009** |
| Salaries | (1 502 306) | (1 158 533) |
| Social security | (269 752) | (74 609) |
| Other personnel cost | (99 322) | (82 853) |
| Leases and rents | (356 758) | (27 047) |
| Building maintenance and utilities supplies | (18 968) | (35 913) |
| Communication and IT maintenance | (307 073) | (48 636) |
| Commissions, fees, consultancy, audit | (7 341 390) | (7 498 887) |
| Insurance | (116 599) | (32 556) |
| Car expenses and car leases | (71 386) | (143 005) |
| Travel expenses and representation costs | (1 014 329) | (411 405) |
| Advertising and marketing | (263 132) | (137 813) |
| Administration costs | (66 037) | (15 035) |
| Taxes other than income tax | (700 738) | (48 931) |
| Non recoverable VAT | (2 690 791) | (1 488 718) |
| **TOTAL** | **(14 818 581)** | **(11 203 941)** |

## 15. Foreign exchange result

| In EUR | Year ended 31 December 2010 | 2009 |
|---|---|---|
| Foreign exchange result on loans with affiliated undertakings | 11 093 202 | 1 423 466 |
| Other foreign exchange result | 1 865 125 | 265 817 |
| **TOTAL** | **12 958 327** | **1 689 283** |

## 16. Net gain / loss on disposal of financial assets

- **In 2010**

The Company sold shares in some of its subsidiaries generating a net loss of EUR 13.0 million; mainly due to a EUR 12.0 million loss on the sale of 31% of its shares in Sarakina Enterprises Company Ltd, a EUR 2.2 million loss on the sale of 30% of its shares in Karousa Enterprises Company Ltd, and a gain of EUR 1.5 million related to prices adjustments on sales realized in 2007 of its investments in Hospitality companies to Hospitaly Invest S.à r.l., a joint-venture company held at 50% by the Company.

- **In 2009**

The Company sold shares in some of its subsidiaries generating a net loss of EUR 16.6 million; mainly due to a EUR 9.1 million loss on the sale of its shares in City Gate S.r.o., a EUR 7.9 million loss on the sale of 85% of its shares in Orco Investment Kft. and a gain of EUR 0.6 million on the sale of its shares in Orco Property Management a.s..

## 17. Net gain / loss on financial assets at fair value through profit or loss

| In EUR | Year ended 31 December 2010 | 2009 |
|---|---|---|
| Change in carrying value of liabilities at amortised cost (1) | 263 118 | (19 367 170) |
| Change in fair value and realized result on derivative instruments (2) | 7 519 221 | (886 147) |
| Change in fair value and realized result on trading securities (3) | 3 836 232 | (1 712 618) |
| **Gain (loss) on financial assets at fair value through profit or loss** | **11 618 571** | **(21 965 935)** |

- **In 2010**

*(1)* Change in fair value of financial assets relates to a total net reversal of impairment on investment in Endurance Fund compartments for EUR 0.3 million (EUR 0.5 million reversal of impairment on Office sub-fund, and EUR 0.2 million impairment on Residential sub-fund)

*(2)* Change in fair value and realised result on derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Company and in fair value of other derivatives (IRS, options and forwards).

*(3)* Change in fair value and realised result on trading securities consist mainly of release of impairment on Orco Germany S.A. shares for EUR 3.7 million

- **In 2009**

*(1)* Change in fair value of financial assets relates to a total net impairment on investment in Endurance Fund compartments for EUR 19.4 million (EUR 14.7 million impairment on Office sub-fund, and EUR 4.7 million impairment on Residential sub-fund)

*(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 Company and in fair value of other derivatives (IRS, options and forwards).

*(3)* Change in the fair value of trading securities consist mainly of impairment on Orco Germany S.A.'s shares and warrants; EUR 0.7 million for shares and EUR 0.9 million for warrants.

## 18. Other net financial results

| In EUR | Year ended 31 December 2010 | 2009 |
|---|---|---|
| Change in the carrying value of liabilities at amortised cost (1) | 281 764 158 | - |
| Other net finance charges (2) | (2 933 083) | (2 002 072) |
| Provision for bank guarantee (3) | (1 100 000) | |
| **Gain (loss) on other financial results** | **277 731 075** | **(2 002 072)** |

- **In 2010**

(1) Change in the carrying value of liabilities relates mainly to gains on the revaluation of bonds following the approval of the Safeguard plan. This arises from the difference between the book value of bonds on the date of approval of the Safeguard plan (19 May 2010) amounting to EUR 406.3 million plus EUR 18.4 million accrued interest and the fair value of EUR 142.9 million of the termed out). For further analysis see note 2.1 and note 11.

(2) Other finance charges consist mainly of finance fees relating to the financial restructuring.

(3) Due to the bankruptcy procedure of Orco Blumenska a.s. in Slovakia (project Stein), a Company's subsidiary. In respect of the application of the Safeguard plan, the guarantee given by the Company to the bank led to the recognition of a provision (over ten years following the repayment schedule of the Safeguard plan), corresponding to the Net Present Value of the bank loan not covered by the pledge on the value of the building (valued at fair value according to the external valuer report). This provision amounts to EUR 1.1 million as at 31 December 2010.

- **In 2009**

(2) Other finance charges consist mainly of finance fees relating to the financial restructuring.

## 19. Income taxes

Since 12 February 2009, The Management has decided the delocalization of the management of the Company. The central administration of the Company is exercised from France. From a Luxembourg tax perspective, the migration of the central administration has triggered the following tax consequences:

- The tax residence of the Company is located in France since February 12, 2009 ("Transfer Date") based on the double tax treaty concluded between France and Luxembourg ("the Treaty") ;
- Due to the fact that the Company keeps accounting and legal teams in Luxembourg, the Company has a Luxembourg permanent establishment according to article 2.3. of the Treaty ;
- The transfer of the central administration leads to an allocation of the assets and liabilities of the Company between the Luxembourg permanent establishment and the French central administration ;
- The assets and liabilities allocated to the French head office are valued at their market value as of the Transfer Date.

The tax treatment deriving from the above-mentioned facts was confirmed with the Luxembourg tax authorities on July 29, 2009 and December 15, 2009.

Based on the above, from a Luxembourg tax compliance perspective, two periods have been considered:

- From January 1, 2009 to February 12, 2009; and
- From February 13, 2009 to December 31, 2009.

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

As at December 31, 2010, Orco Property Group S.A. as consolidated fiscal entity in Luxembourg included the companies listed below:

- Orco Property Group S.A. (Fiscal number: 1993 2209 554);
- Orco Hotel Group S.A. (Fiscal number: 2003 2209 832) (Liquidated on December 2007);
- Orco Hotel Collection S.A. (Fiscal number: 2004 2201 228) (Liquidated on December 2007);
- Central Europe Real Estate Management S.A. (Fiscal number: 2004 2212 645) (in Liquidation since December 2009);

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.

As at 31 December 2010, the Company has not recognized any deferred tax assets in one of its taxable entities.

Tax rates applicable to the taxable entities of the Company are detailed below:

| | Income Tax Rates | | Deferred Tax rates | |
|---|---|---|---|---|
| | 2010 | 2009 | 2010 | 2009 |
| France | 33,33% | 33,33% | 33,33% | 33,33% |
| Luxembourg | 30,84% | 30,84% | 28,80% | 30,84% |

The income tax calculation of the Company is detailed below:

| In KEUR | December 2010 | December 2009 |
|---|---|---|
| **Profit /(Loss) before tax** | **167 538** | **-238 936** |
| Tax effects of: | | |
| Unrecognised loss carry forward | -167 538 | 238 936 |
| **Tax benefit / charge** | **0** | **0** |

## 20. Earnings per share

| | 31 December 2010 | 31 December 2009 |
|---|---|---|
| **At the beginning of the period** | **10 934 765** | **10 818 000** |
| Shares issued | 10 943 866 | 10 943 866 |
| Treasury shares | -9 101 | -125 866 |
| **Weighted average movements** | **2 203 194** | **-86 039** |
| Issue of new shares | 2 216 923 | - |
| Treasury shares | -13 729 | -86 039 |
| **Weighted average outstanding shares for the purpose of calculating the basic earnings per share** | **13 137 959** | **10 731 961** |
| **Dilutive potential ordinary shares** | **1 086 956** | **-** |
| Convertible bond | 1 086 956 | - |
| **Weighted average outstanding shares for the purpose of calculating the diluted earnings per share** | **14 224 915** | **10 731 961** |
| **Net profit/(loss) attributable to owners of the Company (in KEUR)** | **167 538** | **-238 936** |
| **Effect of assumed conversions / exercises** | **-91 179** | **-** |
| Convertible bond | -91 179 | - |
| **Net profit /(loss) attributable to owners of the Company after assumed conversions / exercises (in KEUR)** | **76 359** | **-238 936** |
| Basic earnings in EUR per share | 12,75 | -22,26 |
| Diluted earnings in EUR per share | 5,37 | -22,26 |

Basic earnings per share is calculated by dividing the profit loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company 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 Executive board members (see note 24 – Related Parties).

As a result of the Safeguard procedure, all debts of the Company were frozen until the approval of the Safeguard plan. As a result, the conversion of the convertible bond was suspended and was not taken into account in 2009 in the calculation of the diluted earning per share.

The warrants 2012 and 2014 were not taken into account in the EPS calculation as the conversion of the warrants had an anti-dilutive impact in 2009 and 2010.

## 21. Equity

### Share capital

| In EUR | Number of shares | Share capital | Share premium |
|---|---|---|---|
| **Balance at 1 January 2009** | **10 943 866** | **44 869 851** | **400 524 345** |
| **Balance at 31 December 2009** | **10 943 866** | **44 869 851** | **400 524 345** |
| Capital increase | 3 110 000 | 12 751 000 | 3 463 900 |
| **Balance at 31 December 2010** | **14 053 866** | **57 620 851** | **403 988 245** |

All the shares of the Company have no par value and are fully paid. 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.

- **2010**

On 6 April 2010, a capital increase of 1,090,000 new shares at EUR 5.61 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 1.51 to the share premium account of the Company, has been successfully issued and fully paid.

On 8 April 2010, a capital increase of 1,420,000 new shares at EUR 5.00 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 0.90 to the share premium account of the Company, has been successfully issued and fully paid.

On 14 April 2010, a capital increase of 600,000 new shares at EUR 5.00 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 0.90 to the share premium account of the Company, has been successfully issued and fully paid.

The new ordinary shares issued during the 3 capital increases carry the same rights (including voting rights) as the existing shares.

The prospectus prepared by the Company was approved on 24 January 2011 by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg so that the new shares from the second and third capital increases are listed and admitted for trading on Euronext Paris, the Prague Stock Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange.

As at 31 December 2010, the Company holds 89,455 treasury shares, 1,472 warrants 2014 and 546 warrants 2012.

- **2009**

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

**Authorised capital not issued**

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

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

A total of EUR 57,620,850.60 has been used to date under this authorisation.

As such, the Board of Directors still has a potential of EUR 242,379,150.60 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 59,116,866 new shares may still be created.

**New amendments on warrants**

Following the execution of the "Safeguard plan" and the capital increases over the period, the following amendments have been adopted:

Warrants 2012 (ISIN code : LU0234878881):

On 22 April 2010, the general meeting of the holders of the warrants 2012 extended the exercise period of the warrants from 18 November 2012 up to 31 December 2019. The exercise price and the exercise ratio remain the same (see note 11.3)

Warrants 2014 (ISIN code : XS0290764728):

On 25 March 2010, the general meeting of the holders of the warrants 2014 extended the exercised period of the warrants until 31 December 2019 (see note 11.6)

The exercise ratio has been adjusted following the capital increases. Each warrant 2014 shall entitle the holder to acquire 1.73 existing shares and/or subscribe to 1.73 new shares at the exercise price of EUR 11.20 to be paid in cash.

As at 31 December 2010, no warrants have been exercised (none in 2009).

**Convertible bonds**

See note 11.4.

**Repayable subscription warrants**

See notes 11.3 and 11.6.

**Employee stock options**

No new stock option plan has been granted in 2010 and 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 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:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | Average exercice price in EUR | Number of options | Average exercice price in EUR | Number of options |
| **Outstanding at the beginning of the year** | **75.60** | **60,000** | **75.60** | **63,000** |
| Granted | - | - | - | - |
| Exercised | - | - | - | - |
| Cancelled | - | - | - | -3,000 |
| **Outstanding at the end of the year** | **75.60** | **60,000** | **75.60** | **60,000** |

**Dividends per share**

The Board of Directors has decided not to propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the years 2010 and 2009.

**PACEO**

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

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

On 13 August 2008 the Company has concluded with Société Générale a third PACEO in the overall limit of 2,000,000 new shares over a period of 24 months (maturity date of 13 August 2010) 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 2010 and 2009, no BEA has been exercised and as a result no new shares have been issued.

## 22. Contingencies

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

The Company has given guarantee in the ordinary course of business to its affiliated undertakings to cover bank loans financing their real estate assets.

**<u>As of 31 December 2010</u>:**

| in EUR million | |
|---|---|
| Guarantees required by banks | 354,8 |
| Liabilities | 2,9 |

<u>Guarantees required by banks</u>

As of December 2010 the total amount of security, validated in the Plan de Sauvegarde by the "juge commissaire" is EUR 354.8 million.

Out of this amount, EUR 4.5 million has been called in 2010.

The amount of security recognized increased significantly compared to the amount of EUR 153.9 million recorded as of 31 December 2009. As of 31 December 2009, only the amount accepted by the creditor representative during the claim review process as a security was recorded. The decision executed by the 'juge commisssaire" confirmed during the year 2010, the receivability of some others securities and receivables challenged before hand by the creditor representative.

Securities for an amount of EUR 24.3 million relating to assets sold during the year 2010 were cancelled during the year 2010 and were written off from the total amount as of 31 December 2010.

<u>Liabilities</u>

As of 31 December 2010, the Company recognized a total amount of liabilities of EUR 2.9 million.

Out of this amount EUR 1.1 million is to be paid, EUR 0.7 Million are pending. Argument relating to a liability of EUR 1.1 million out of the total amount of EUR 2.9 million has been solved with decision of the "juge commissaire" and the liability will not be due anymore

<u>Affilidated undertakings</u>

As of 31 December 2010, guarantees granted to affiliated undertakings amount to EUR 151.8 million.This total amount remain unchanged compared to 31 December 2009.

Out of the total amount of EUR 151.8 million, EUR 1,7 million is a guarantee relating to the project Jeremiasova. The asset is sold and the cancellation of the potential liability is pending.

**<u>As of 31 December 2009</u>:**

| in EUR million | |
|---|---|
| Guarantees required by banks | 153.9 |
| Liabilities | 0.7 |

<u>Guarantees required by banks</u>

The total amount of security declared to the creditor representative as of 31 December 2009 is EUR 163.3 million.

As of 31 December 2009, the Company recognized a total security amount required by banks of EUR 153.9 million. Those amounts have been accepted by the creditor representative during the claim process done in cooperation with the Company.

<u>Liabilities</u>

As of December 2009, the Company recognized a total amount of liabilities on behalf of its sublisdiaries of EUR 0.7 million. This amount is pending and not due.

<u>Affilidated undertakings</u>

As of 31 December 2009, guarantees granted to affiliated undertakings amount to EUR 151.8 million. This amount is splitted into 23 lines with an average amount of EUR 6.6 million

Each of the guarantees granted to affiliated undertakings were confirmed by the Company's management from the very beginnning of the safeguard process in 2009.

The amount of EUR 151.8 million is a sum of guarantees. It is a maximum potential amount that is not currently requiring any payments.

The receivability if these liabilities has been to be judged by the court monitoring the safeguard plan procedure and decisions are now published.

## 23. 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 Company subscribed to two sub-funds on the three existing sub-funds. As at December 2010, 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 2009);
  - EUR 3.4 million out of EUR 27.0 million subscribed for the office sub-fund (EUR 3.4. million in 2009).

- Other commitments

In a decision taken on 3 March 2006, the Board of Directors granted to some members of the management of the Company a termination indemnity payment for a total amount of EUR 34 million (as at 31 December 2010 and 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.

## 24. Related party transactions

- **Transactions with key management personnel**

(a) Remuneration of key management personnel

The members of the Board of Directors of the Company and of the Executive Committee are considered as the key management personnel of the Company. Until February 2009, the Executive Committee was made of 20 people. After the restructuring of the Company management and the alignment of its structure with the business lines, the Executive Committee has been reduced to 6 executive managers.

In 2010, total compensation given as short term employee benefit to the members of the Executive Committee amounted to EUR 1.8 Million (EUR 4.5 Million in 2009, out of which EUR 2.8 Million related to former executive committee members with EUR 0.6 Million as severance payment and EUR 0.2 Million to be paid at the termination of the contract of current executive board members). As at 31 December 2010, the cumulated balance to be paid at the termination of the contract of current executive board members amounts to EUR 0.4 Million (EUR 0.2 Million in 2009).

In November 2009, the Board of Directors of the Company approved 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. A compensation of EUR 1,000 is granted to each Board and Committee member for all physical attendance. A compensation of EUR 1,500 is granted for the attendance as president to all Committee meetings. EUR 4,500 is granted to compensate the President presiding an ordinary and extraordinary general meeting of shareholders. Such compensation has been retroactively applied since January 2009. In 2010 the Board and Committees attendance compensation amount of EUR 96,500 (EUR 50,500 in 2009), including General Meetings presidency compensations. Pursuant to the Company’s bylaws, each Board member must hold at least one share of the Company. As such, one share has been granted for free to each Board member that was not holding the required share.

Based on the Remuneration and related parties Committee dated 17 November 2009 and following a decision of the Board of Directors of the Company taken on 18 November 2009, the Company attributed in December 2009 an aggregate amount of 833,084 warrants 2014 (ISIN: XS0290764728) issued by the Company and an aggregate amount of 1,598,000 warrants (ISIN: XS0302626899) issued by its subsidiary Orco Germany S.A. as an incentive remuneration to the three executive Board Members for a total amount of EUR 990 thousand.

In a decision taken in 2006, the Board of Directors of the Company granted to some members of the management of the Company 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 31 December 2010, the potential termination indemnity payment amounted to EUR 16 Million (EUR 16 Million as at 31 December 2009). 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.

(b) Loans and advances with key management personnel

On 4 December 2008, the Company granted a seller’s financing of EUR 1.4 Million (which was 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 laws and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance was granted for a period of 7 years ending on 31 December 2015. Vignette Investissements S.A. and the Company agreed to unwind the transaction following termination of cooperation. As such, 10% of the shares of MMR Management s.r.o. were returned by Vignette Investissements S.A. to the Company, effective 16 December 2010.

In February 2007, the Company has granted a loan of EUR 216,068 to OTT & CO S.A.. This loan had a maturity date on 1st March 2008 and an interest rate of 9% per year payable at the repayment date (the “Company Receivable”).

In 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 15 May 2009 and an interest rate of 10% per year payable at repayment date. On 30 April 2009, Urso Verde S.A. pledged 90,660 Company shares to the benefit of the Company in order to secure the repayment of the loan. The pledged shares have been called in June 2009 by the Company. In August 2009, 90,000 of the shares were sold for an aggregate amount of EUR 812,250 leaving a surplus of EUR 132,298 compared to the amount of loan to be repaid that Urso Verde S.A, requested to be returned in the form of shares, which has been settled as described in the next paragraph. The unsold 660 Company shares were transferred back to OTT & Co. S.A. pursuant to an instruction of Urso Verde S.A..

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. Pursuant to the agreement dated 24 March 2010, Urso Verde S.A. assigned its receivable against the Company, amounting to a total of EUR 138,985 (EUR 132,298, plus interest of EUR 6,687 as of 24 March 2010, being surplus left after sale of shares, "Urso Verde Receivable"), 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 Company 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 Company Receivable as of this date.

On 30 November 2010, Orco Charter d.o.o., a wholly owned subsidiary of OTT & CO S.A., OTT & CO S.A. and the Company have agreed to further restructure their debts. Orco Charter, was owed by Blue Yachts, a 70% subsidiary of Suncani Hvar, itself a subsidiary of the Company, an amount of EUR 180,151. As of that date, Orco Charter was also owed by Orco Adriatic d.o.o., a fully owned subsidiary of the Company, an amount of EUR 618. Orco Charter assigned to OTT & CO S.A. its receivables against Blue Yachts and Orco Adriatic (jointly, the "Orco Charter Receivables"). OTT & CO S.A. further assigned the Orco Charter Receivables to the Company for a consideration of EUR 180,769 (becoming the "Ott & Co Receivable") to be offset with the Company Receivable (described above) against OTT & CO S.A. amounting to EUR 145,556, including accrued interests. As such, the Company Receivable against OTT & CO S.A. pursuant to the loan of 22 February 2007 was settled and fully repaid as of the date of agreement. As at 31 December 2010, after restructuring and settlements described above, the Company has a receivable amounting to EUR 180,315 against Blue Yachts and a receivable amounting to EUR 618 against Orco Charter.

On 16 February 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on 1 March 2008. In 2009, the loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis. Litigation is pending in front of Luxembourg court.

(c) Other transactions with key management personnel

The Company has an investment in NOVY Fund, a related party of some former members of the key management personnel. The cost of such investment amounts to EUR 1.1 Million as at 31 December 2010 (EUR 1.4 Million as at 31 December 2009) and its fair value amounts to EUR 0.2 Million as at 31 December 2010 (EUR 0.3 Million as at 31 December 2009).

- **Transactions with the Endurance Real Estate Fund**

The Company is the sponsor of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Company is the shareholder of the management company of the Fund and has also invested in the two sub-funds existing as at 31 December 2010. As at 31 December 2010, the Company's subscription to the office I and residential sub-funds represent respectively 16.16% and 5.79% of the total subscription respectively (in 2009, 16.16% and 7.98% respectively).

The Company provided a subordinated bridge loan to BB C – Building E, k.s., a Czech subsidiary of the Endurance Fund, pursuant to the loan agreement dated 15 October 2010. The loan was used to cover an extraordinary payment required by the financing bank. The Company's loan of EUR 700,000 has a final repayment date of 26 August, 2013 and bears an annual interest of 30%.

There are other various transactions between the Company and Endurance Fund companies. These transactions resulted in the recognition of EUR 0.1 Million revenue (EUR 0.2 Million in 2009) and EUR 0.1 Million expenses (EUR 0.5 Million in 2009). They also resulted as at 31 December 2010 in a net payable of EUR 0.1 Million (a net payable of EUR 0.4 Million as at 31 December 2009).

- **Employee stock options**

See note 21.

- **Transactions with affiliated undertakings**

  - Financial transactions

  The Company has global loan agreement with maturity date 31 December 2020 and bearing 8% interest with most of its affiliated undertakings. These loans are all fully detailed (principal amount, accrued interest, impairments, interest rate, interest expenses or income, original currency and maturity) in notes related to loans to affiliated undertakings and to loans froms affiliated underatakings (see note 9 & 12).

The Company also invoiced guarantee fees on bank loans to some of Orco Germany S.A.'s subsidiary for which the Company is the guarantor of the borrowed amount. The Company invoiced a total of EUR 270,788 for the year 2010 (2009: EUR 427,749) corresponding to 1% of the amount guaranteed.

- Operational revenues

Services fees invoiced by the Company are detailed below:

- Orco Germany S.A. : EUR 300,000 for the year 2010 (none in 2009);
- Orco Prague S.A. : EUR 5,057,102 for the year 2010 (none in 2009);
- Endurance Hospitality Finance S. à r.l. : EUR 627,305 for the year 2010 (2009: EUR 531,193);
- MMR Management S.r.o. : EUR 901,876 for the year 2010 (none in 2009);
- Endurance Advisory Company, S.A. : EUR 60,000 for the year 2010 (none in 2009);
- Mamaison Management S.r.o.: EUR 55,002 for the year 2010 (none in 2009).

The Company has also signed sub-leasing agreements with all the companies which have their registered address at the Company address (including all subsidiaries).

- Operational expenses

Services fees invoiced to the Company by its subsidiaries are detailed below:

- Vinohrady S. à r.l. : EUR 1,350,000 for the year 2010 (2009: EUR 5,700);
- Orco Prague S.A. : EUR 46,907 for the year 2010 (none in 2009).

The Company has its registered address at Capellen in a building owned by one of its fully owned subsidiary, Capellen Invest S.A., related rental expenses are detailed below:

- Rental fees: EUR 219,780 for the year 2010 (none in 2009);
- Tenants charges: EUR 50,901 for the year 2010 (none in 2009).

## 25. Events after balance sheet date

a) Capital increases by 3.1 Million new shares for a total equity amount of EUR 16.2 Million and their legal challenge

In April 2010 the Company completed three different capital increases for a total equity amount of EUR 16.2 Million.

These capital increases were legally challenged by certain shareholders. First, three of the Company's minority shareholders acting in concert, Millenius Investments S.A., Clannathone Stern S.A. and Bugle Investments Ltd (collectively the "Applicants") introduced claims against the Company and its new shareholders with the aim to cancel the capital increases.

On 24 January 2011, the Commission de Surveillance du Secteur Financier ("CSSF") approved the prospectus for the new shares issued in the second and third capital increases. The prospectus has been duly passported with the French Autorité des marchés financiers on 25 January 2011. Consequently, the Company applied for listing the corresponding shares for trading on the regulated markets of NYSE Euronext in Paris, the Prague Stock Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange. As of the publication of this report, all four above-mentioned stock exchanges admitted the 2,020,000 ordinary shares of the Company to.

On 22 February 2011 the Company announced that a settlement agreement was reached by Orco Property Group and the Applicants. As a result, the parties have agreed to end the legal procedures initiated by Millenius, Fideicom, Clannathone and Bugle which aimed to cancel the resolutions adopted by the General Assembly of 8 July, 2008 and the capital increases of 6, 8 and 14 April, 2010. Millenius, Fideicom, Clannathone and Bugle have formally and irrevocably agreed to withdraw from all legal proceedings and abandon the positions they took during the course of these proceedings. Orco Property Group has accepted their withdrawal and abandonment without reservation.

b) Dispute with Croatian Privatization Fund ("CPF")

In 2005, the Company entered into a Shareholders' Agreement with the Croatian Privatization Fund ("CPF") regarding the formerly state owned company Suncani Hvar dd.

In sharp contrast to the Group's financial (approximately EUR 60 Million) and managerial commitment, the CPF repeatedly breached many of its contractual obligations. Moreover, on 12 July 2010, slightly before the expiration date of the agreement, the CPF sent a formal letter improperly alleging that the Company breached the terms of the agreement and that as such, the CPF was entitled to unilaterally terminate it.

On 6 January 2011, the Company filed a Notice of Dispute with the Croatian Prime Minister's office as a first step of an international arbitration pursuant to the Belgo/Luxembourg-Croatia and France-Croatia bilateral treaties.

An agreement has been finalized in March 2011 with the CPF (Croatian state privatization fund holding 32% of the shares of Suncanni Hvar d.d.). This agreement is a first step aiming at putting an end to the different shareholders disputes and assuring long term financing of the business.

The parties have agreed to convene a General Meeting of Shareholders in April 2011 in order to reduce the indebtedness of the Company by HRK 41.21 Million by swapping parts of the existing shareholders loans into the Company's equity and to release of a total amount of HRK 22.2 Million liability in shareholder loans interest, which the two major shareholders have agreed to write-off. In addition, in order to resolve shareholders' disputes from the past, an independent body “Expert Group“ will be established. At the same time, the CPF has committed to tackle all unresolved ownership disputes within the next 12 months.

Furthermore, a framework for the joint assistance of the Company has been agreed, ensuring the continuation of its business, which sees the CPF matching Orco's shareholder loan by providing a new loan to the Company in the amount of 19.9 Million HRK.