2009 Unaudited Management Report

Orco Property Group
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1. Introduction

1.1 Activities

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

Commercial Investment Properties

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

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

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

Development

Property development includes:

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

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

1.2. Group structure

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

- Fully owned subsidiaries in Central European countries (Czech Republic, Poland, Hungary, Slovakia etc.) that are fully integrated in terms of management;

- Majority shareholdings in listed groups such as ORCO Germany S.A. (in partnership with MSREF V, a property fund managed by Morgan Stanley) and Suncani Hvar in Croatia (in partnership with Croatia's privatisation fund), both entities being listed respectively in Frankfurt and Zagreb;
- Joint venture investments in MaMaison Hotels & Apartments (a hotel company jointly held with AIG) or major property development projects such as Kosik (with General Electric) or Molcom in Russia (with the Akopyan Group).

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

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

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

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

2. Market environment

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

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

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

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

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

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

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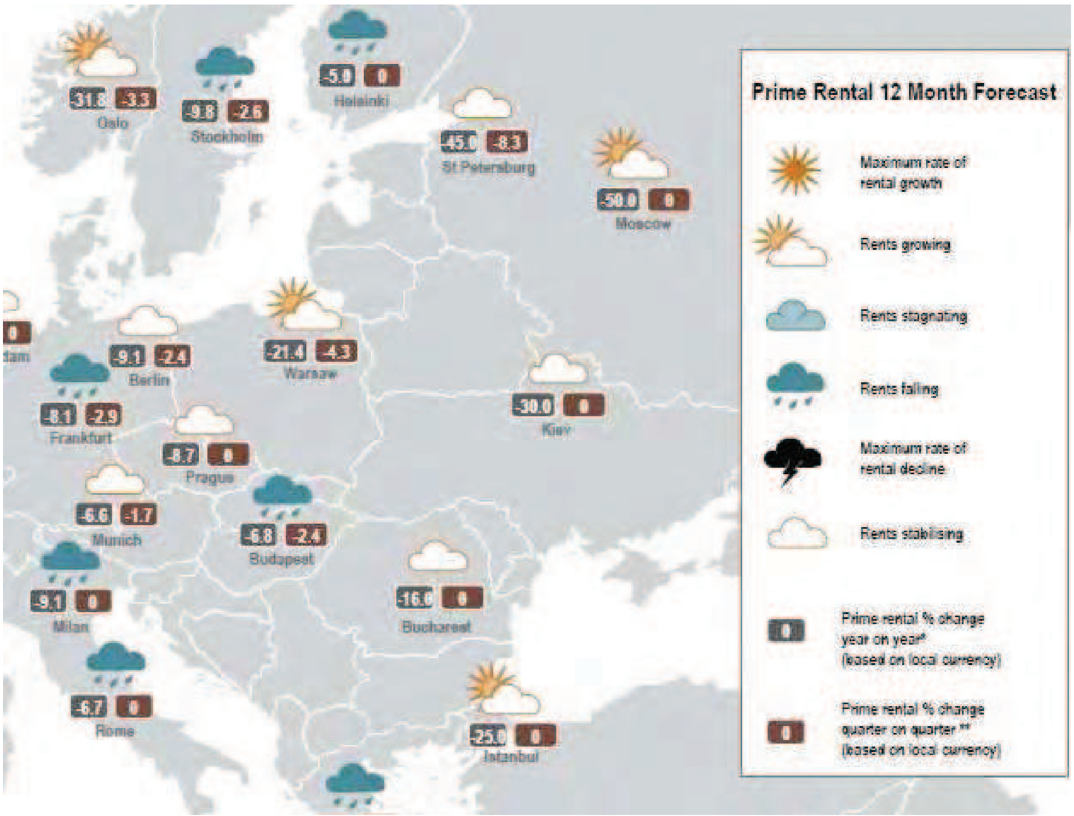
As a consequence of global economic slowdown, market fundamentals were affected as well by a decline in both absorption and rents:

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

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

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



Source: Jones Lang LaSalle Office Weather Forecast

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

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

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

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

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

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

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

Office prime yields Source: JLL	Prime yield Q4 2009	Prime yield Q2 2009	Variation over period (in%)
Prague	7.25%	7.25%	0%
Warsaw	7.25%	7.25%	0%
Budapest	7.75%	8%	-3%
Berlin	5.50%	5.50%	0%

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

A more detailed analysis of the CEE real estate market environment in 2009 is available in appendix 15.1.

2.2 Residential markets: resiliency and importance of capital cities

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

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

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

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

2.3 Impact of market conditions on ORCO Property Group

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

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

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

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

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

3. The Group restructuring: 2009 achievements

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

3.1.1. Difficulties in the first quarter 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. 2.1 Focus on commercial investment property

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

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

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

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

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

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

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

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

Within the residential segment the level of activity has been maintained overall during the crisis. While forward sales substantially slowed down, there was no increase in unsold finished units (700 unsold units in 2008 versus 300 in 2009 in Czech Republic, 165 unsold units in 2008 versus 332 units in Poland due to the impending delivery of an important project in Warsaw of 284 units) thus underlining both the core markets resilience and the quality of ORCO's products.

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

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

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

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

3.2.3 Narrower geographical focus

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

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

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

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

3.2.4 Reorganization of the Group by business line

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

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

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

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

3. 3 In-depth financial restructuring in 2009

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

3.3.1 Organization based on a centralized treasury function

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

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

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

3.3.2 Rigorous selection of investment projects

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

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

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

3.3.3 Drastic cost-cutting plan

In addition to the office closures previously mentioned, OPG management has committed itself to a systematic cost-cutting plan which has already generated cost savings amounting to EUR 7.1 Million per annum.

At the end of December 2009, out of the Group's 1,996 employees, the Group's core activities (excluding the hotel business and logistics) cut their workforce from 778 as at December 2007 to 420 employees and are likely to continue reducing it to 300 by the end of 2010.

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

3.3.4 Renegotiation of bank debt at the subsidiaries level

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

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

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

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

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

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

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

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

3.4. Improvement of Corporate Governance

Improvement Corporate Governance has been a top priority of the sauveguard plan. The Management reports significant progress made in 2009 in this area. In addition to the measures already implemented (accounts audited since 1991, asset portfolio assessed by DTZ, an independent expert), we should note that ORCO decided to implement for the year 2010 the best practices recommended by the European Public Real Estate Association ("EPRA"). OPG has been a member since 2009, and followed by major quoted real estate companies in Europe.

OPG has also significantly reorganized its managerial structure, including the Board of Directors, various control committees and the Management team. For more details on these changes, please refer to Corporate Governance chapter in this document.

4. Ten years outlook

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

4.1 Objectives

The Company's chief objectives business plan are:

- In the short term, to complete its profitable projects in order to generate rapid cash;

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

Assuming the successful implementation of this business plan, the Company shall have:
- Restructured its balance sheet though debt repayment and further capital increase
- Managed its risk profile through portfolio and geographical diversification
- Secured a strong revenue stream, which is sustainable throughout various market cycles
- Fully capitalized on its potential (highly-skilled and experienced team, excellent market exposure, significant landholdings, strong rental portfolio)

4.2 Business plan assumptions

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

The business plan assumes:

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

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

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

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

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

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

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

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

4.3 Implementation

The business plan is based on two main pillars:

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

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

Phase 1: 2010- 2013:

- Finalization of current projects (both commercial and residential) and dynamic management of non-mature assets (reduction of vacancy, structural works, lease engineering) ;
- Sale of mature assets of the rental portfolio;
- Orderly sale of non-core activities;
- Sale of current residential stock;
- Investment of free cash in (i) development of the existing (mostly residential) land bank (ii) creation of a new Commercial and Investment Properties portfolio.

Phase 2: 2014- 2016:

- Commercial and Investment Properties: reduction of the investment intensity to a lower long-term average in order to concentrate on asset management of assets acquired over the course of the previous phase. First sale opportunities (up to 10% of the portfolio) for assets acquired in 2010-2013.

- Residential and commercial development: Overlapping succession of investments and sale of stocks on short term cycles (3 years for residential, 3-4 years for commercial). Acquisition of new land bank as the existing reserve was been developed in the previous cycle;

- Bubny: investments in the planning authorization process as well as infrastructure works and first residential and office phases.

Phase 3: 2017-2020:

- Commercial and Investment Properties: maturity/arbitrage/ sale phase for the stock of assets acquired in 2010-2015 (up to 15%) for years 2018-2020. Selective re-investments of proceeds in new buildings to be managed;

- Residential and commercial development : same succession of 3-4 years phase of investment-development-sale as the previous phase;

- Bubny reaches its full potential with the combined effect of (i) the investments of the previous cycles that created the offer for 2017-2020 (ii) continued investments in Office, retail and residential, land development projects either directly or by the means of joint ventures.

5. The debt rescheduling plan

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

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

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

5.1 Debt to bondholders

Between 2005 and 2007, OPG issued several bonds listed on various markets (referred to as "Bonds"). The holders of these bonds ("bondholders") represent the most important creditors of OPG.
During the preparation of the debt rescheduling proposal plan, the Company has been led to calculate the maximum amount that could be due to bondholders, including all reimbursements premium, 10 years of interests,

no equitization or payment through the BSAR. This maximum bond liability that would be due over 10 years would amount to EUR 614.278.348,02

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

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

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

Bonds without access to OPG equity

Bond issue: 6 January 2006 (" **2011 Bonds**")
Floating Rate Bonds
Issue date: 3 February 2006
Aggregate principal amount: CZK 300.000.000,00 (EUR 10.991.024,00 according to the EUR/CZK exchange rate applicable as of March 25, 2009)
Total recognized liability: EUR 16.451.846,62
Maturity date: 3 February 2011
Listed in bearer form on the secondary market of "Prague Stock Exchange" (ISIN: CZ0000000195)
Representative : Ceska Sporitelna
Applicable jurisdiction : Czech

Bond issue: 30 June 2005 ("**Bonds 2012**")
Convertible bonds into Suncani Hvar shares
Issue date: 30 June 2005
Aggregate principal amount: EUR 24.169.193,39
Total recognized liability: EUR 38.796.339,62
Maturity date: 30 juin 2012
Listed in bearer form on Euro MTF, Luxembourg (ISIN : XS0223586420)
Representative : Maître Benoît E. Diouf
Applicable jurisdiction: Luxembourg

Bonds providing access to OPG equity

Bond issue : 14 November 2005 ("**Bonds 2010**")
Bonds with warrants attached.
Issue date: 18 November 2005
Aggregate principal amount: EUR 50.272.605,30
Total recognized liability: EUR 83.538.551,43
Maturity date: 18 novembre 2010
Listed in nominative form on Eurolist market of Euronext Paris SA (ISIN: FR0010249599)

Representative : Mr Luc Leroi, replacing Mrs. Bertrand-Leroi
Applicable jurisdiction: Luxembourg

Bond issue : 17 May 2006 ("**Bonds 2013**")
Convertible bonds into OPG shares
Issue date: 1 June 2006
Aggregate principal amount: EUR 149.999.928,00
Total recognized liability: EUR 222.919.184,32
Maturity date: 31 mai 2013
Each bond was issued with 10 warrants attached; each warrant allowed conversion in exchange of one OPG share (BSA 2012.
These warrants are listed on Euronext Paris (ISIN: FR 0010333302)
Representative : Mr Luc Leroi, replacing Mrs. Bertrand-Leroi
Applicable jurisdiction: Luxembourg

Bond issue : 22 March 2007 ("**Bonds 2014**")
Bonds providing access to OPG capital based on attached warrants
Issue date : 28 March 2007
Aggregate principal amount: EUR 175.000.461,60
Total recognized liability: EUR 252.571.926,03
Maturity date: 28 mars 2014
Listed in nominative form on Euronext Bruxelles (ISIN : XS0291838992)
Warrants : each bond was issued with 15 warrants attached, each of them allowing conversion in exchange of one OPG share ("BSA 2014").
These warrants are listed on Euronext Bruxelles and Euronext Paris (ISIN: XS0290764728 and XSO291838992).
Instrument comprising one bond and five warrants are listed under ISIN XS0291840626.
Representative : Mr Luc Leroi, replacing Mrs. Bertrand-Leroi
Applicable jurisdiction: Luxembourg

5.2 Debt to other creditors

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

Creditors under guarantees provided by OPG
The Group's property projects are undertaken by dedicated subsidiaries which have recourse to bank loans to finance the projects. OPG has guaranteed certain of its subsidiaries' commitments under such loans. Certain creditors of OPG's subsidiaries have therefore lodged claims relating to the potential application of these guarantees including pledges of certain of the subsidiaries' shares. Subject to verification, total liabilities of EUR 710 Million are involved of which EUR 568 Million have been challenged.

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. Subject to verification, total liabilities of EUR 0.7 Million are involved.

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

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

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

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

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

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

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

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

5.4.1 Principle

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Repayment Schedule of Bond 2011

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

Repayment Schedule of Bond 2012

ORCO PROPERTY GROUP

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

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

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

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

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

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

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

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

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

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

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

Repayment Schedule of Bond 2010

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

Repayment Schedule of Bond 2014

Term Out	10/05/2010	10/05/2011	10/05/2012	10/05/2013	10/05/2014	10/05/2015	10/05/2016	10/05/2017	10/05/2018	10/05/2019	10/05/2020
Outstanding amount	175 000 462	175 000 462	175 000 462	173 693 472	167 428 664	160 607 459	153 243 195	134 664 557	106 388 741	63 736 083	0
Recognition of newly unconditional repayment premium											30 625 081
Recognition of newly unconditional interests	9 253 449	4 375 012	4 375 012	4 375 012	4 342 337	4 185 717	4 015 186	3 831 080	3 366 614	2 659 719	1 593 402
Unconditional recognized liabilities	184 253 911	188 628 922	193 003 934	197 378 945	201 721 282	205 906 999	209 922 185	213 753 265	217 119 879	219 779 597	221 373 000
Amortization		***2,00%***	***5,00%***	***5,00%***	***5,00%***	***5,00%***	***5,00%***	***10,00%***	***14,00%***	***20,00%***	***29,00%***
Annuities based on unconditional recognized liabilities		3 772 578	9 650 197	9 868 947	10 086 064	10 295 350	10 496 109	21 375 327	30 396 783	43 955 919	64 198 170
Follow up of previous annuities on the unconditional recognized liabilities			87 500	306 251	521 080	711 572	883 341	1 034 392	1 245 647	1 356 456	31 756 396
Maximum annuities applicable on Bonds 2014		3 772 578	9 737 697	10 175 198	10 607 145	11 006 922	11 379 450	22 409 718	31 642 430	45 312 376	95 954 566
Annuity per Bond 2014		**31,56**	**81,46**	**85,12**	**88,73**	**92,07**	**95,19**	**187,46**	**264,69**	**379,04**	**802,67**

The convertible bonds maturing in 2013

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

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

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

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

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

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

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

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

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

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

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

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

•The repayment premium

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

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

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

Modification of the bases of equity access

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

Special cases

Creditors benefiting from guarantees provided by OPG

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

Bearers of the share subscription options maturing in 2014

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

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

Intercompany liabilities

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

5.4.3 Risk analysis, approval and materialization of the Plan

Risk analysis

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

The 'circularisation' (i.e. the written submission for consideration to creditors by the Court-appointed Creditor Representative) of proposals to creditors might lead to a negative opinion of the majority of the Creditors about the Company proposals. However the 'circularisation' is consultative only, and the Court is able to judge a rescheduling without approval from creditors.

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

While deemed extremely unlikely given the financial situation of the Company, the quality of its restructuring plan and business plan, reviewed by the independent consultant Grant Thornton in Paris, the Paris Commercial Court could decide to send into 'redressement judiciaire' whereby the Court appoint a Receiver to restructure, sell or liquidate the Company.
It is also possible that the Plan could be adopted by the Tribunal and later challenged at Court by some creditors.

Approval and materialization of the Plan

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

6. Key events

6.1 Safeguard filing

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

6.2 Successful renegotiations of bank loans

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

- Paris Department Store, financed with EUR 16.5 Million loan maturing in 2011; yearly extension till 2016 if no breach;
- Vaci 1, financed with EUR 26.1 Million loan maturing in 2012; yearly extension till 2017 if no breach;
- Bubny, financed with EUR 26.4 Million extended by a year;
- Hospitality portfolio (JV with AIG), financed with a EUR 81.9 Million (final draw down of the final tranche EUR7.7 Million was completed in September 2009), maturing in 2014.

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

In 2009, the Company repaid a total amount of EUR 44.4 Million of bank loans related to various asset sales in Germany and the Czech Republic. Bank loans related to residential projects that were delivered (Benice EUR 1.1 Million, Kosik EUR6.6 Million, Nove Dvory EUR 5.1 Million) or are about to be delivered (Klonowa Aleja EUR 17.4 Million, Feliz Residence EUR 4.1 Million) are expected to be repaid on schedule. In 2009, EUR 17.6 Million of bank debt have been repaid on residential debt.

6.3 Signed agreement to increase OPG stake in ORCO Germany

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

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

6.4 Other agreements aimed at restructuring loans to partnerships

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

- An agreement has been signed with AIG, ORCO's joint venture partner in the hospitality portfolio, whereby EUR 10 Million of the loan granted to the JV will be voncerted in equity and EUR 10 Million will be repaid with cash injected by AIG. EUR 8,7 Million is expected at closind end of April 2010. EUR

20 Million out of ORCO Property S.A EUR 46 Million shareholder loan was restructured. Our partner injected EUR 10 Million in cash in Hospitality Invest for repayment to ORCO, while EUR 10 Million of shareholder loan was converted into equity in the joint venture

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

6.5 Asset disposals

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

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

6.6 Initiated implementation of EPRA best practice recommendations ("BPRs")

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

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

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

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

6.7 Negotiations for capital increases

Colony negotiations

On 29th April 2009 ORCO announced the launch of exclusive negotiations for a reserved share capital increase with ColOG, a company controlled by funds advised by Colony Capital.
ColOG was considering to reinforce OPG's equity by EUR25 Million by the end of the second quarter 2009 (then extended until November 30th 2009) and by an additional amount of up to EUR140 Million at the end of the Procédure de Sauvegarde. This capital increase was conditioned by the successful implementation of bond restructuring under the safeguard procedure. Given the lack of debt restructuring by given deadline, the investment conditions have not been met and Colony Capital's option has expired accordingly. Despite the current market conditions, Colony Capital confirms that the discussions conducted with ORCO Property Group Management were high quality.

Other negotiations towards capital increases

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

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

6.8 ORCO's top- class hotels received prestigious awards

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

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

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

6.9 Main financial events

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

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

- NAV decreases at Year end to 8.2 EUR per share

6.10 Main events occurred in Q1 2010

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

7. Real estate portfolio and NAV

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

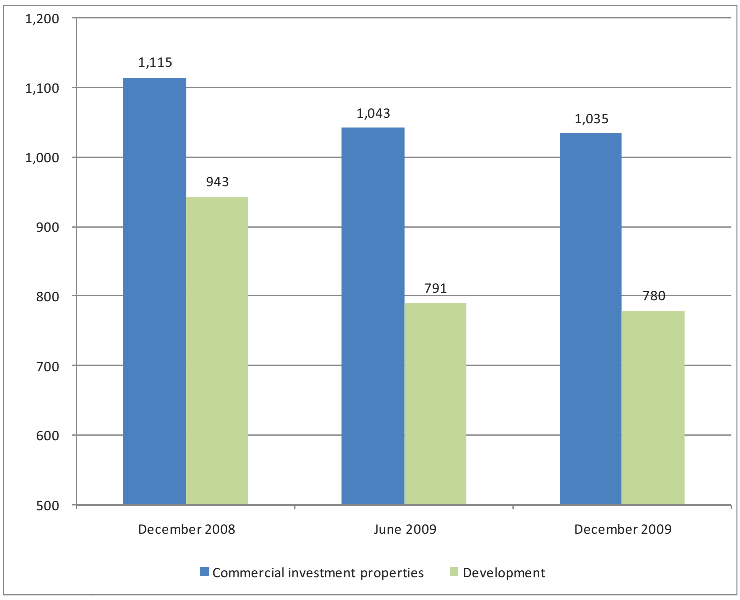
- **Commercial Investment Properties:** covers all real estate assets operated (as hotels and logistic parks) and rented out or that will be so without any major refurbishment.

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

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

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

Portfolio valuation as of December 2009



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

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

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

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

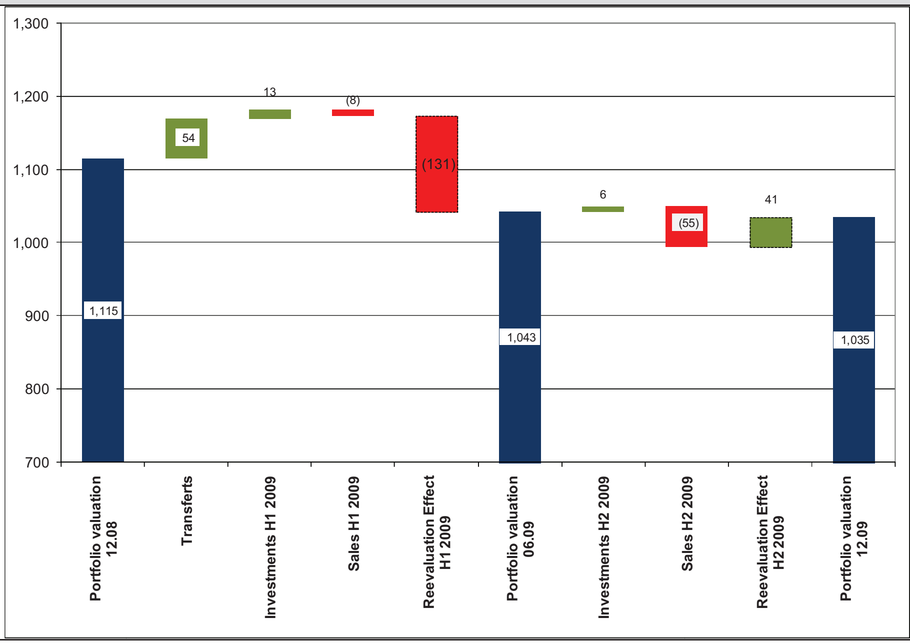
- **<u>Half-year relative value analysis : high revaluations in H1 followed by positive revaluation thanks to developments</u>**

The situation is contrasted between the two semesters:

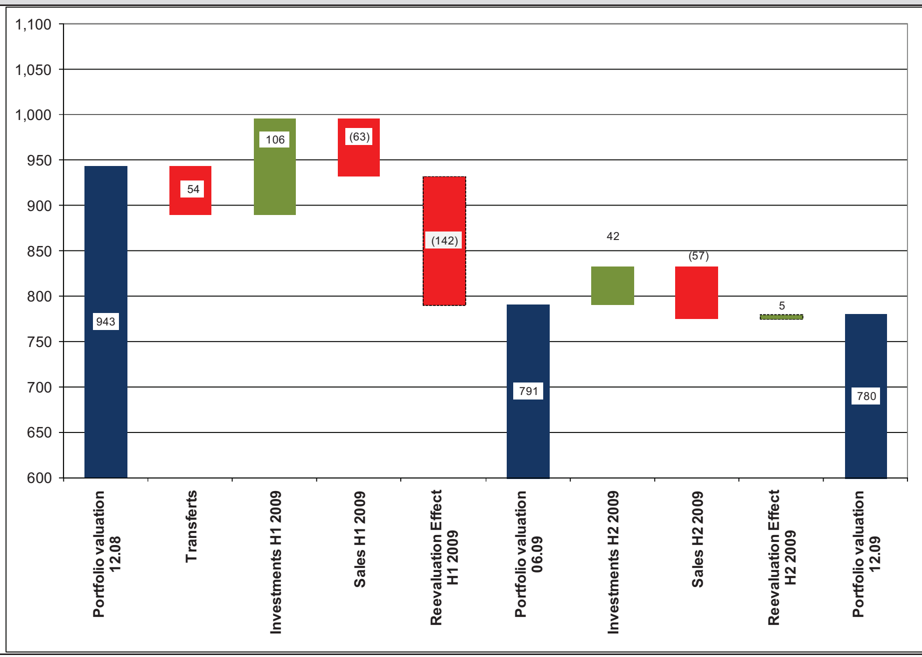
- H1 2009 : high revaluation losses due to (i) investments that were not recognized in terms of value on developments (ii) upwards yield movements that impacted valuations of commercial and investment properties;

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

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



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



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

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

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

7.1 The 'Development' business line

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

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

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

7.2.1 Commercial developments

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

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

Projects delivered in 2009	Location	asset type	leasable area sqm	construction completion	Market Value EUR Million	Variation Dec 09-June 09	Variation Jun 09-Dec 09	Capex H1 2009	Capex H2 2009	Total Capex 2009
Sky Office	Düsseldorf	office	33 000	Q3 2009	135,0	22,0	32,0	37,0	10,0	47,0
H2O	Duisburg	office	13 000	Q4 2009	29,0	11,0	17,0	12,0	9,0	21,0
Bernauer strasse	Oranienburg	healthcare	8 000	Q3 2009	10,5	2,0	7,2	5,1	0,8	5,9
Rostock	Rostock	healthcare	5 700	Q3 2009	8,8	2,5	5,7	3,2	1,0	4,2
Gutersloth	Gutersloth	healthcare	7 200	Q3 2009	11,9	3,3	8,3	0,0	5,7	5,7
Hradcanska	Prague	office/retail	10 600	Q1 2009	12,5	-0,6	-1,9	0,0	0,3	0,3
Palac Archa	Prague	office/retail	24 000	Q1 2009	47,6	2,1	2,1	4,3	0,5	4,8
Vysocany Gate	Prague	office	16 800	Q2 2009	21,1	-2,0	4,3	0,0	6,8	6,8
Paris Dept. Store	Budapest	retail/office	5 900	Q4 2009	15,0	1,1	-6.8	0,0	2,9	2,9
Radischevskaya	Moscow	office	1 700	Q3 2009	10,5	2,5	-1.3	0,0	0,5	0,5
Peugeot	Warsaw	Retail	4 030	Q1 2010	3,7	-0,7	-1,1	0,0	0,0	0,0
Vaci I	Budapest	Retail	11 000	Q2 2011	40,1	0,2	-4,1	2,7	1,5	4,2
New Molcom	Moscow	Logistic warehouse	18 500	Q4 2009	7,5	2,6	-0,1	4,3	7,9	12,2
TOTAL					**353**	**46**	**69**	**69**	**47**	**116**

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

The consolidated market value of the 13 commercial developments reached EUR 353 Million as of year end. As of December 2008, their value was EUR 284 Million. Over the first half of 2009 EUR 69 Million of capital expenditures have been spent. During H2 2009, EUR 47 Million of capital expenditures have been spent.

Therefore, on a YoY basis, the market value increased of EUR115 Million for EUR 116 Million invested in these projects as most of them have been completed in the second half. Their value is expected to increase in 2010, based on progress made on occupancy and following the positive market trends expected in 2010.

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

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

Vaci 1 (former Budapest Stock Exchange) is located at the corner of the busiest shopping street of Budapest. The works began in the spring of 2008. After having been put on hold between April 2009, restarted in November and are estimated to conclude in Q2 2011. After refurbishment, 11 thousand sqm. of net leasable retail accommodation will be available. Vaci 1 is already 19% pre-leased and financed by a EUR 46 Million loan limit maturing in 2012; roll over till 2017 if no breach. EUR 2.7 Million were spent during the first half and EUR 1.5 Million during the second one.
As at December 2008, the fair value of the building was set at EUR 44.1 Million, and at EUR 40.1 Million as at December 2009. Based on the expected annual rental income of EUR 6.9 Million, the fair value at completion amounts to EUR 85 Million. As the development is at an early stage, the valuation integrates a significantly high discount rate to take into account the development risks. With remaining development costs amounting to EUR 20.6 Million, a mechanical gain of EUR 24.3 Million would be recored.
More details on these buildings are available in the Appendix 1.5.2.

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

7.2.2 Residential development

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

The Company divides all its large residential development projects into development phases, and the

Company seeks to pre-sell a certain portion of apartments before commencing construction works for the relevant phase. The Company usually starts construction when an average of 30 per cent pre-sale has been achieved.

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

During 2009, construction works were finalized on 6 residential projects, representing a total of 525 units. The list of residential projects completed in 2009 is presented below:

Projects completed in 2009	location	Construction completion	total units	PC booked in 2009	units remaining in inventory	market value (EUR Million)
Plachta 3	Hradec Kralove	Q4 2009	89	63	26	2.9
Michle	Prague	Q1 2009	49	34	15	2.4
Kosik 3 A	Prague	Q3 2009	233	96	137	21.4
Nove Dvory	Prague	Q2 2009	100	62	38	5.4
Benice 1	Prague	Q1 2009	46	4	42	12.4
Feliz Residence/ Drawska	Warsaw	Q3 2009	40	6	34	8.8
Mokotowska	Warsaw	Q2 2009	14	7	7	5.2

The Group registered a 34% decrease in its units delivered and recognized in revenues in 2009, to 515 units (422 in Czech Republic, 81 in Poland and 12 in Slovakia) compared to 802 in 2008 (excluding Germany). The backlog on projects either finalized or under construction amounts to 413 units in the Czech Republic out of which 95 are covered by a future purchase contract to 587 units in Poland out of which 223 are and to 68 units in Slovakia out of which 5 are covered by a future purchase contract. In Germany, there are only few units left to sell on the residential developments.

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

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

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

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

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

7.2.3 Land bank

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

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

Commercial Land Bank	DTZ value EUR	Site area sqm
Czech Republic (incl. Bubny)	59 475 000	244 800
Germany	127 910 000	47 900
Hungary	4 920 000	1 800
Slovakia	10 000 000	7 200
Total	**202 305 000**	**301 700**

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

Residential Land Bank (plotting, other,..)	DTZ value EUR	Site area sqm
Czech Republic	26 210 000	1 162 000
Poland	2 010 000	218 000