ORCO PROPERTY GROUP S.A.

Société anonyme

Consolidated financial statements

For the year ended 31 December 2010

Orco Property Group's Board of Directors has approved on 21 March 2011 the consolidated financial statements for the year ended 31 December 2010. All the figures in this report are presented in thousands of Euros, except if otherwise explicitly stated.

I. Consolidated income statement

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

	Note	December 2010	December 2009
Revenue	5	**314,657**	**251,531**
Net gain /(loss) from fair value adjustments on investment property	8	25,961	-177,598
Other operating income		4,721	3,150
Net result on disposal of assets	8, 10, 14	1,197	-631
Cost of goods sold	13	-165,770	-115,726
Employee benefits	21	-45,172	-49,286
Amortisation, impairments and provisions	9, 13	-10,157	-89,354
Other operating expenses	21	-74,470	-76,303
Operating result		**50,967**	**-254,217**
Interest expenses	18	-97,691	-86,850
Interest income		6,265	8,707
Foreign exchange result	22	4,104	4,686
Other net financial results	23	267,174	-36,700
Financial result		**179,852**	**-110,157**
Profit/(loss) before income taxes		**230,819**	**-364,374**
Income taxes	24	-8,165	48,858
Net profit/(loss) for the year		**222,654**	**-315,516**
Total profit/(loss) attributable to:			
non controlling interests	17	-10,757	-64,952
owners of the Company		**233,411**	**-250,564**
Basic earnings per share (in EUR)	25	17.77	-23.35
Diluted earnings per share (in EUR)	25	9.90	-23.35

II. Consolidated statement of comprehensive income

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

	Year ended 31 December	
	2010	**2009**
Profit /(Loss) for the year:	**222,654**	**-315,516**
Other comprehensive income		
Currency translation differences	13,148	-3,762
Total comprehensive income for the year	**235,802**	**-319,278**
Total comprehensive income attributable to:		
- owners of the Company	244,984	-253,427
- non controlling interests	-9,182	-65,851

III. Consolidated balance sheet

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

Assets	Note	31 December 2010	31 December 2009
NON-CURRENT ASSETS		**1,204,255**	**1,392,979**
Intangible assets	7	**48,205**	**48,903**
Investment property	8	**888,036**	**1,072,304**
Property, plant and equipment		**237,851**	**235,677**
Hotels and own-occupied buildings	9	222,563	215,393
Fixtures and fittings	11	15,288	20,284
Financial assets at fair value through profit or loss	12	**30,049**	**32,353**
Deferred tax assets	24	**114**	**3,742**
CURRENT ASSETS		**698,050**	**679,484**
Inventories	13	418,957	482,605
Trade receivables		34,349	31,379
Other current assets	15	59,105	56,347
Derivative instruments	3	-	2,695
Current financial assets		302	488
Cash and cash equivalents	16	53,439	57,040
Assets held for sale	8, 9, 10	131,898	48,930
TOTAL		**1,902,305**	**2,072,463**

Equity and liabilities		31 December 2010	31 December 2009
EQUITY		**355,969**	**104,730**
Equity attributable to owners of the Company	26	**303,057**	**56,577**
Non controlling interests	17	**52,912**	**48,153**
LIABILITIES		**1,546,336**	**1,967,733**
Non-current liabilities		**903,080**	**1,021,463**
Bonds	18	235,667	409,397
Financial debts	18	526,991	484,634
Provisions & other long term liabilities	19	14,307	16,918
Derivative instruments	18	19,323	9,289
Deferred tax liabilities	24	106,792	101,225
Current liabilities		**643,256**	**946,270**
Current bonds	18, 20	8,222	59,219
Financial debts	18, 20	389,282	595,776
Trade payables	20	21,011	33,480
Advance payments	20	32,714	53,212
Derivative instruments	18	27,469	44,380
Other current liabilities	20	88,064	108,752
Liabilities linked to assets held for sale	10, 18, 20	76,494	51,451
TOTAL		**1,902,305**	**2,072,463**

IV. Consolidated statement of changes in equity

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

	Note	Share capital	Share premium	Translation reserve	* Own equity instruments reserves	Other reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2008		**44,870**	**400,524**	**18,639**	**-20,319**	**-139,081**	**304,633**	**116,241**	**420,874**
Translation differences				-2,863			-2,863	-899	-3,762
Net loss for the year						-250,564	-250,564	-64,952	-315,516
Total comprehensive income				-2,863		-250,564	-253,427	-65,851	-319,278
Own equity instruments					945	2,923	3,868		3,868
Non controlling interests' transactions	17					1,503	1,503	-2,237	-734
Balance at 31 December 2009		**44,870**	**400,524**	**15,776**	**-19,374**	**-385,219**	**56,577**	**48,153**	**104,730**
Translation differences				11,573			11,573	1,575	13,148
Net profit for the year						233,411	233,411	-10,757	222,654
Total comprehensive income				11,573		233,411	244,984	-9,182	235,802
Capital increase	26	12,751	3,464			-86	16,129		16,129
Own equity instruments					-640		-640		-640
Non controlling interests' transactions	17					-13,993	-13,993	13,941	-52
Balance at 31 December 2010		**57,621**	**403,988**	**27,349**	**-20,014**	**-165,887**	**303,057**	**52,912**	**355,969**

V. Consolidated statement of cash flows

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

	31 December 2010	31 December 2009
Operating result	**50,967**	**-254,217**
Net (gain) /loss from fair value adjustments on investment property	-25,961	177,598
Amortisation, impairments and provisions	10,157	89,354
Net result on disposal of assets	-1,197	631
Stock options and warrants plans	-	3,500
Adjusted operating profit/(loss)	**33,966**	**16,866**
Financial result	-2,229	-433
Income tax paid	-604	-3,711
Financial result and income taxes paid	**-2,833**	**-4,144**
Changes in operating assets and liabilities	**99,631**	**-23,656**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	**130,764**	**-10,934**
Capital expenditures and tangible assets acquisitions	-28,067	-36,258
Proceeds from sales of non current tangible assets	72,120	66,574
Purchase of intangible assets	-161	-390
Purchase of financial assets	-628	-1,159
Loan repayment received from joint-ventures	2,493	-
NET CASH FROM INVESTING ACTIVITIES	**45,757**	**28,767**
Net issue of equity instruments to shareholders	16,129	945
Purchase of treasury shares and change in ownership interests in subsidiaries	-956	-
Proceeds from borrowings	25,645	97,032
Net interest paid	-56,718	-77,900
Repayments of borrowings	-164,752	-65,249
NET CASH USED IN FINANCING ACTIVITIES	**-180,652**	**-45,172**
NET DECREASE IN CASH	**-4,131**	**-27,339**
Cash and cash equivalents at the beginning of the year	57,040	83,799
Exchange difference on cash and cash equivalents	530	580
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**53,439**	**57,040**

Notes to the consolidated financial statements

1. General information

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 21 March 2011.

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

2. Summary of significant accounting policies

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

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

2.1 Basis of preparation and Going concern

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

2.1.1 Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3. In general, the situation has improved compared to the one described in the 2009 and 2008 consolidated financial statements. 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 further decreased, the Group has made progress in the implementation of its restructuring plans allowing the same conclusion on the going concern.

2.1.1.1 2010 results

Over 2010, the Group has made a profit of EUR 222.7 million (EUR 233.4 million attributable to the Group). After recognizing significant devaluations on investment properties and impairments on developments over 2009 and 2008, the Group recorded valuation gains and impairment write offs over 2010 (EUR 24.9 million) and a gain of EUR 269.5 million upon derecognition of the Company's bonds as a result of the approval of the Safeguard plan. The loan to value improved to 67.8% as at December 2010 compared to 84.4% as at December 2009.

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 May 2011.

2.1.1.3 Restructuring plan implemented by the management

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 Group under the protection of the Safeguard procedure opened on the 25th of 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 Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring can't be achieved in the short or medium term. 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 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 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 Group 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 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.

2.1.1.4 Risks and uncertainties on the ability of the Group 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 Group’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, and more specifically the success in selling non strategic assets and the capacity in refinancing or repaying the short term debts are essential. 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 Group'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 Group require funding to continue as a going concern (specifically Hvar for EUR 61 million). The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring. For the realization of its business plan, the Group sees as a top priority the successful negotiation on the refinancing of Orco Germany bond (EUR 100 million of principal with EUR 25 million conditional premium, see note 18.7) and GSG bank loan (EUR 300 million of principal) to be respectively repaid in April and May 2012.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Central Europe could damage the Group’s activity and slow down the asset sales program. It should be noted that this environment has generally been stabilized over the last 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 consolidated financial statements as at 31 December 2010 on a going concern basis.

2.1.2 Critical accounting estimates and judgements

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

2.1.3 Changes in accounting policies

The accounting policies have been consistently applied by Group's entities and are consistent with those used in the previous year except for the definition of start of development, the classification of net interests paid in the cash flow statement and for the application of the revised and new standards and interpretations applied as from 1 January 2010 as described below and except the new accounting policy of the definition of start of a development project (see note 2.6).

In order to reflect in the accounting policies the new strategic development approach, the definition of the start of development for the purpose of the transfer of land bank to inventories has been expanded (see point 2.6). Where, in the previous accounting policies, the start of development was only referring the construction business with a transfer when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee, the new accounting policy addresses also the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities defining the start of the development to be the moment at which the Group has obtained official support from state or city authorities in order to start working on the master plan modification. This change has been applied retrospectively and does not affect prior years. Would that change in policy not have been applied, a gain on the revaluation of the land development would have been recognized through profit or loss for an amount of EUR 69 million.

Due to the safeguard plan and in order to reflect the financing of the projects, the net interests paid have been disclosed in the cash flow statement in financing activities This change has been applied retrospectively. An amount of EUR 56.7 million has been reclassified from investing activities to financing activities in 2010 (EUR 77.9 in 2009).

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

The following amendments have been early adopted by the Group in 2009:

- IFRS 3 (revised), 'Business combinations' was early adopted by the Group in 2009 and applied prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payment classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non controlling interest in the acquiree either at fair value or at non controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.
- IAS 27 (revised), 'Consolidated and separate financial statements' – effective for annual reporting periods beginning on or after 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is already the accounting policy elected by the Group. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in the income statement. The Group has applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2009.

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010 but are not relevant or have a very limited impact to the Group's operations:

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'An additional exemption for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.
- IFRIC 9, ‘Reassessment of embeded derivatives and IAS 39, Financial instruments: recognition and measurement’, effective 1 July 2009. This is not relevant to the Group as the Group did not have any hybrid financial assets.
- IAS 1 (amendment), ’Presentation of financial statements’, effective from 1 January 2010;
- IAS 32 (amendment), ’Classification of right issues’ – effective from 1 February 2010;
- IAS 39 (amendment), ’Financial instruments: Recognition and measurement – Eligible hedged items’ – effective from 1 July 2009;
- IFRS 2 (amendment), ’Group cash-settled share-based payment transactions’ – effective from 1 January 2010;
- IFRS 5 (amendment), ’Non-current assets held for sale and discontinued operations’ – effective from 1 July 2009;
- IFRIC 16, ‘Hedges of a net investment in a foreign operation’, effective 1 July 2009.
- IAS 36 (amendment), ‘Impairment of assets’, effective 1 January 2010.

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

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2011 or later periods, but the Group 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 Group’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 (revised), ‘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 Group will apply the amended standard 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 issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the Group or the parent entity’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 Group will apply these amendments for the financial period commencing 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 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. The amendments are generally applicable for annual periods beginning after 1 January 2011. Early application is permitted.

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

(b) Transactions with non-controlling interests

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

(c) Joint-ventures

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

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

2.5 Intangible assets

(a) Goodwill

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

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

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

(b) Computer software

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

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

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

(c) Trademarks

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

2.6 Investment property

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

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

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

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

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

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

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

Changes in fair values are recorded in the consolidated income statement under "Net gain/(loss) from fair value adjustment on investment property".

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

Freehold lands for which the destination is not specified at the acquisition date are classified under Investment property as land bank. The specific destination (if any) is to be determined by the investment committee approving the acquisition. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered to be when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained official support from state or city authorities in order to start working on the master plan modification.

If the start of a development of a freehold land with the objective to keep the asset for future rental or value accretion, the property will not be transferred.

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

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

2.7 Property, plant and equipment

Hotels, owner-occupied buildings and fixtures and fittings are classified as property, plant and equipment. Properties under development are classified as property, plant and equipment only if their future use is owner operated real estate assets (hotels, logistics warehouses or owner-occupied office buildings.

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

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

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

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

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

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

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

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

2.8 Leases

(a) A Group company is the lessee

i) Operating lease

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

ii) Finance lease

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

(b) A Group company is the lessor

i) Operating lease

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

ii) Finance lease

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

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

2.9 Impairment of non-financial assets

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

2.10 Financial assets

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets carried at fair value through profit or loss (including derivatives) are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

The Group subscriptions in investment property closed end funds managed by the Group are categorized as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

2.11 Inventories

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

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

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

2.12 Trade receivables

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

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

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

2.15 Borrowings

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

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

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

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

2.16 Compound financial instruments

Compound financial instruments issued by the Group 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 recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised 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 amortised 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.

2.17 Trade payables

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

2.18 Current and deferred income tax

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

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting 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 Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax on investment property

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

2.19 Provisions and post-employment obligations

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

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

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

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

2.20 Derivative financial instruments

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

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

2.21 Revenue recognition

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

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

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

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

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

2.22 Dividend distribution

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

2.23 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.

2.24 Subscription rights and PACEO (“Programme d'Augmentation de Capital par Exercice d'Options”)

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

3. Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

Currency Code	**Currency**	**31 December 2009**		**31 December 2010**	
		Average	Closing	Average	Closing
CZK	Czech Koruna	26.4992	26.465	25.2675	25.06
HUF	Hungarian Forint	280.5533	270.84	276.7908	278.75
HRK	Croatian Kuna	7.3339	7.28428	7.385173	7.3851738
PLN	Polish Zloty	4.3407	4.1082	4.0044	3.9603
RUB	Russian Ruble	44.3172	43.3883	40.1552	40.3331
USD	US Dollar	1.3962	1.4406	1.32070	1.3362

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

The Group based the assumption of 5%, as the biggest exposure for the Group in CZK/EUR varied by 5.6% in 2010.

December 2010	Change of 5% against EUR
CZK/EUR	1.2
PLN/EUR	1.9
HUF/EUR	4.1
HRK/EUR	1.6
USD/CZK	1.9

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

Positions in foreign currencies have decreased since December 2009. Bank financing of residential developments are generally denominated in local currency as opposed to bank financing of investment properties that can be either expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euro in companies having another currency as functional currency.

(ii) Price risk

The Group is exposed to equity risks from Endurance Fund and Novy Fund, which are classified in financial assets at fair value through profit or loss.

Furthermore, the Group is exposed to price risk from embedded derivatives on instruments issued by Orco Germany S.A.. The derivative instruments are classified in the consolidated balance sheet under "Derivative instruments".

To manage its price risk arising from investments in equity securities and such embedded derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed.

(iii) Other risks

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

(b) Credit risk

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

At 31 December 2010	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade receivables gross	30 445	2 542	386	976	26 516	60 865
Impairments at 31 December 2009					-14 408	-14 408
Impairments - Scope Exit					12	12
Impairments - allowance					-1 647	-1 647
Impairments - write-back					6 316	6 316
Impairments - transfers					-16 500	-16 500
Foreign exchange Impairments					-289	-289
Total trade receivables	30 445	2 542	386	976	-	34 349
Other current assets gross	49 423	372	14	137	10 095	60 042
Impairments at 31 December 2009					-7 319	-7 319
Impairments - allowance					-8 836	-8 836
Impairments - write-back					5 704	5 704
Impairments - transfers					346	346
Others					10	10
Total other current assets (i)	49 423	372	14	137	-	49 947
Cash and cash equivalents gross	53 439	-	-	-	-	53 439
Impairments at 31 December 2009					-	-
Impairments - allowance					-	-
Total cash and cash equivalents	53 439	-	-	-	-	53 439
Derivatives gross	0	-	-	-	-	-
Impairments at 31 December 2009					-	-
Impairments - allowance					-	-
Total Derivatives	-	-	-	-	-	-

The other current assets excluded in this table represent mainly tax receivables amounting to EUR 8.0 million.

- **In 2010**

  In 2010, the Group has recorded impairments on trade receivables amounting to EUR 1.6 million (mainly EUR 0.9 million in Germany, EUR 0.3 million in Luxembourg and EUR 0.3 Million in Czech Republic) and a reversal of impairment of EUR 6.3 million mainly related to the reversal on an advance payment to a third party on an asset located in Russia for EUR 5.8 million in application of the Group management review of the overdue receivables.

  The Group has recorded impairments on the current assets amounting to EUR 8.8 million mainly related to the loan granted to Mr Gogol for EUR 8.7 million and a reversal of impairment corresponding to a profit and loss transfer with the Company Deutsche Aninton for EUR 5.7 million.

  In December 2010 the Company reached an agreement to gain 10% ownership in Rubin retail project in Moscow in exchange of a USD 25 Million advance payment signed back in 2008. This advance has been transferred from financial assets at fair value through profit or loss to advance payment for EUR 0.0 million and an impairment of EUR 6.4 million, based on the Net Asset Value of the entity holding the project, was written back.

- **In 2009**

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

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

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

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

Counterparty	Ratings Agency Moody's Rating	S&P's rating	Fitch's Rating	December 2010	December 2009
Deutsche Bank	Aa3	A+	AA-	9.3	8.9
CSOB	A1	-	A-	8.5	11.9
Pekao bank	A2	A-	A-	6.2	6.4
Berliner Volksbank	-	A+	A+	5.1	6.1
HSBC bank plc.	Aa2	AA	AA	2.8	-
SVA Bank	-	-	-	2.1	-
KBC Bank	Aa3	A	A	2.0	2.8
Credit agricole (CALYON)	Aa3	AA-	AA-	1.6	1.4
LBB/Sparkasse	Aa1	-	AAA	1.5	-
DnB NOR	Aa3	A+	-	1.2	1.7
VUB	A1	-	-	1.1	-
HSH Nordbank	Aa1	-	AAA	1.0	-
BGL BNP Paribas	A1	AA	A+	0.5	0.3
EuroHypo	A1	A-	A	0.2	1.7
Raiffeisen	Aa1	-	-	0.1	1.2
St Petersburg Bank	Ba3	-	-	-	0.3
in Euro million				**43.2**	**42.7**

The Group does not hold any collateral.

(c) Liquidity risk

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

The liquidity risk is the risk that Orco Property Group might encounter difficulties raising liquid funds to meet commitments as they fall due. The Orco management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties.

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 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 consolidated balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

At 31 December 2010	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	-15,513	-14,144	-4,909	-251,805	-459,591	-745,962
Floating rate loans and bonds	-158,674	-139,973	-86,875	-511,321	-52,834	-949,677
Interest rate derivatives	-2,862	-5,352	-7,747	-13,094	1,586	-27,469
Embedded derivatives on bonds	-	-	-	-19,323	-	-19,323
Liabilities held for sale	-	-76,559	-	-	-	-76,559
Trade payable	-7,320	-9,248	-4,443	-	-	-21,011
Other current liabilities	-50,313	-25,122	-12,629	-	-	-88,064
Total	-234,682	-270,398	-116,603	-795,543	-510,839	-1,928,065

At 31 December 2009	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-101,812	-24,682	-56,812	-509,696	-13,828	-706,830
Floating rate loans and bonds	-283,044	-60,308	-193,247	-454,252	-66,971	-1,057,822
Interest rate derivatives	-3,089	-6,536	-9,266	-17,774	1,153	-35,512
Forex derivatives	-1,635	-5,720	-6,285	-	-	-13,640
Embedded derivatives on bonds	-	-	-10,055	-25,025	-	-35,080
Liabilities held for sale	-43,536	-8,610	-	-	-	-52,146
Trade payable	-12,162	-16,242	-5,076	-	-	-33,480
Other current liabilities	-50,989	-47,214	-10,549	-	-	-108,752
Total	-496,267	-169,312	-291,290	-1,006,747	-79,646	-2,043,262

(d) Cash flow interest rate risk

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

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

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

The floating rate loans and bonds line presents the projected cash flows, including interests and the reimbursements of the principal and of the non conversion premium (when applicable), for Group's floating rate loans and bonds. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2010. Held for sale liabilities represent the loans in respect of Wertheim and Szervita which are classified as held for sale.

Interest rate swaps, collars and forex derivatives used by the Group are detailed in the note 18.13.

As at 31 December 2010, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2010 of EUR 3.1 million. Before the positive impact of derivatives, the increase of interest expenses in 2010 would amount to EUR 8.1 million.

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

The table below shows the amount of floating bank loans by type of floating rate and the next repricing months.

	Repricing month	Amounts
Euribor + margin (from +0.8 to +3.8)	January 2010	155,650
	February 2010	13,114
	March 2010	488,313
Pribor + margin (from +1.3 to +3.7)	January 2010	88,467
	March 2010	2,732
Libor + margin (from +0.8 to +0.9)	January 2010	18,800
	November 2010	38,584
Wibor + margin (from +0.8 to +4.5)	January 2010	46,265

3.2 Fair value estimation

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

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

• Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2010.

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss				
- Investment in Endurance Fund	-	-	10,923	10,923
- loans granted to Joint ventures and other investments	-	-	19,126	19,126
- Trading securities	118	184	-	302
Total assets	**118**	**184**	**30,049**	**30,351**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives on bonds	-	-	19,323	19,323
- Trading derivatives	-	27,469	-	27,469
Total liabilities	**-**	**27,469**	**19,323**	**46,792**

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

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

	Embedded derivatives on Bonds - non current part	Embedded derivatives on Bonds - current part
At 31 December 2009	-8,587	-6,817
Losses recognised in profit or loss	-10,736	6,817
At 31 December 2010	-19,323	-

	Investment in Endurance Fund	Loan granted to joint ventures and other investments
At 31 December 2009	10,500	21,853
Increase	625	
Profit /(losses) recognised in profit or loss	-202	-3,352
At 31 December 2010	10,923	19,126

The Group is exposed to a credit risk on the Profit Participating Loan amounting to EUR 17.3 million. The change of 100 basis points on the discounted cash flow would have led to a further EUR 0.6 million loss of fair value revaluation through profit or loss.

3.3 Capital risk management

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

As at 31 December, 2010, the 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 LTV ratio before bonds also reduces from 58.1% to 53.8% due to the decrease of current liabilities.

Improvement of the LTV ratio is mainly due to the creation of value on projects and properties and the repayment of loans

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

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 has been allocated in order to reflect the cash waterfall agreed between the joint venture partner in 2010.

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. In case of cross default covenants’ breach, the related loans, as a result, have been reclassified in current liabilities.

The non respect of the Loan to Value (LTV) covenants may have as consequence that the lending bank requires partial repayment of the loan in order to solve the LTV covenant breach. In 2010, the Group negotiated interests margin increase instead of partial repayment of the loan.

3.4 Financial instruments by category

31 December 2010	Loans and Receivables	Asset at fair value through profit or loss	Total
Assets per balance sheet			
Financial assets at fair value through profit or loss	-	30,049	30,049
Derivative financial instruments and trading securities	-	302	302
Trade and other receivables	34,349	-	34,349
Cash and cash equivalent	53,439	-	53,439
Total	**87,788**	**30,351**	**118,139**

31 December 2010	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities per balance sheet			
Borrowings	-	1,236,656	1,236,656
Trading derivatives	46,792	-	46,792
Trade and other payables	21,011	-	21,011
Total	**67,803**	**1,236,656**	**1,304,459**

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

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

4. Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that 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) Estimate of fair value of investment properties

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

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

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

	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
German assets	5.8%	NA	5.3%	8.3%	6.5%	9.6%
Developments CE	7.3%	8.8%	NA	NA	NA	NA

The fair value of the Wertheim land plot in Berlin has been valued according to the contractual sale price of EUR 89 Million and adjusted by the net present value of an additional payment of EUR 30 million payable after finalization of the project and discounted with a rate of 7%.

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

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

(c) Income taxes

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

As stated in note 2.18, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

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

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

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

(e) Estimate of fair value of financial instruments

Some financial instruments are recorded at fair value.

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

1) for derivative instruments linked to bonds issued by Orco Germany using a discount rate of 20.36% (55.24% in 2009).
2) by the Group's banks for the derivatives (IRS, options and forwards).
3) for the loan granted to Hospitality Invest joint venture, the valuation is performed internally using a discount rate similar to the one used for the fair value of the properties and a risk premium of 4.0% (22% in 2009) for the Profit Participating Loan granted to the joint venture holding company.

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

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

(f) Impairment on owner-occupied buildings and hotels

For the purpose of determining the impairment on owner-occupied buildings and hotels, the Group uses the fair value as determined by the independent expert. The valuation methodology is based on cash flow projections for the relevant property with a discount rate ranging from 9.25% to 12.50% depending of the location of the assets and its specific business risk.

(g) Impairment on goodwill

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

4.2 Critical judgments in applying the Group's accounting policies

(a) Distinction between investment properties and owner-occupied properties

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

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

(b) Transfer between inventories and investment property

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

(c) Transfer between investment property and inventories

Freehold lands for which the destination is not determined at acquisition are classified under Investment property as land bank. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained sufficient support from state or city authorities in order to start working on the master plan modification.

5. Segment reporting

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

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

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

End of 2009, the Group structure has been fundamentally changed in order to streamline the management lines and reflect the two main activities to which the Investment Committee is allocating the Group investment capacity on the basis of the strategy defined by the Executive Committee. On one hand the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Investment Committee. Once the asset is developed it can be either sold to a third party or kept in the Group own portfolio for value appreciation. On the other hand, the Group is actively managing its own or third parties real estate assets for operational profitability and value appreciation. These two business lines are the segments by which the operations are analysed and managed internally.

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

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the asset management line once completed.
- Asset management business line covers all real estate assets operated (as hotels and logistic parks) and rented out assets or that will be so without any major refurbishment. A legal entity can report for more than one project, which can be classified in two different segments.

In 2010, the methodology of segment reporting has been revised as follows:

- Costs from asset and development management are allocated to the relevant business line, suppressing as a result any intra-segment transaction.
- In the context of simplification of the SPV's structure, some projects have been transferred to multi projects SPV's. As a result, the Group allocates the projects on the appropiate segment, whereas the allocation was previously done at the SPV level.

2009 comparative have been represented on that basis. The main reclassification relates to German SPV's, with multisegment projects.

These changes lead to a decrease of development revenues of EUR 11.1 million and to a decrease of development of operating result of EUR 19.1 million.

Development revenues include renting revenues for EUR 7.7 million in 2010 (EUR 6.1 million in 2009) from projects partially rented out and which are still expected to be sold.

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

As at 31 December 2010	Development	Asset Management	TOTAL
Revenue	182,898	131,759	**314,657**
Net gain /(loss) from fair value adjustments on investment property	7,258	18,703	**25,961**
Cost of goods sold	-162,313	-3,457	**-165,770**
Amortisation, impairments and provisions	1,056	-11,213	**-10,157**
Other operating results	-28,600	-85,124	**-113,724**
Operating result	299	50,668	**50,967**
Net gain /(loss) from fair value adjustments on investment property	-7,258	-18,703	**-25,961**
Amortisation, impairments and provisions	-1,056	11,213	**10,157**
Past valuation on goods sold	2,794	-	**2,794**
Net result on disposal of assets	-465	-732	**-1,197**
Adjusted EBITDA	-5,686	42,446	**36,760**
Net gain /(loss) from fair value adjustments on investment property	7,258	18,703	**25,961**
Amortisation, impairments and provisions	1,056	-11,213	**-10,157**
Past valuation on goods sold	-2,794	-	**-2,794**
Net result on disposal of assets	465	732	**1,197**
Operating result	299	50,668	**50,967**
Financial result			**179,852**
Profit before income tax			**230,819**

As at 31 December 2010			
Segment assets	**635,716**	**1,041,026**	**1,676,742**
Investment Properties	103,117	784,919	888,036
Property, plant and equipment	349	237,502	237,851
Inventories	415,946	3,011	418,957
Assets held for sale	116,304	15,594	131,898
Unallocated assets			225,563
Total assets			**1,902,305**
Segment liabilities	**299,119**	**669,701**	**968,820**
Financial Debts	233,119	659,207	892,326
Liabilities linked to assets held for sale	66,000	10,494	76,494
Unallocated liabilities			933,485
Total liabilities			**1,902,305**
Cash flow elements			
Capital expenditure	25,656	2,536	28,192

As at 31 December 2009 (Represented)	Development	Asset Management	TOTAL
Revenue	118,368	133,163	**251,531**
Net gain /(loss) from fair value adjustments on investment property	-86,840	-90,758	**-177,598**
Cost of goods sold	-113,282	-2,444	**-115,726**
Amortisation, impairments and provisions	-52,481	-36,873	**-89,354**
Other operating results	-27,210	-95,860	**-123,070**
Operating result	**-161,445**	**-92,772**	**-254,217**
Net gain /(loss) from fair value adjustments on investment property	86,840	90,758	**177,598**
Amortisation, impairments and provisions	52,481	36,873	**89,354**
Past valuation on goods sold	1,371	-	**1,371**
Net loss on disposal of assets	359	272	**631**
Net gain/(loss) on abandoned developments	11,592	-	**11,592**
Stock options and warrants	1,734	1,793	**3,527**
Adjusted EBITDA	**-7,068**	**36,924**	**29,856**
Net gain /(loss) from fair value adjustments on investment property	-86,840	-90,758	**-177,598**
Amortisation, impairments and provisions	-52,481	-36,873	**-89,354**
Past valuation on goods sold	-1,371	-	**-1,371**
Net loss on disposal of assets	-359	-272	**-631**
Net gain/(loss) on abandoned developments	-11,592	-	**-11,592**
Stock options and warrants	-1,734	-1,793	**-3,527**
Operating result	**-161,445**	**-92,772**	**-254,217**
Financial result			**-110,157**
Profit before income tax			**-364,374**

As at 31 December 2009 (Represented)			
Segment assets	**803,327**	**1,036,189**	**1,839,516**
Investment Properties	300,706	771,598	1,072,304
Property, plant and equipment	3,495	232,182	235,677
Inventories	478,126	4,479	482,605
Assets held for sale	21,000	27,930	48,930
Unallocated assets			232,947
Total assets			**2,072,463**
Segment liabilities	**274,821**	**823,595**	**1,098,416**
Financial Debts	261,205	785,760	1,046,965
Liabilities linked to assets held for sale	13,616	37,835	51,451
Unallocated liabilities			974,047
Total liabilities			**2,072,463**
Cash flow elements			
Capital expenditure	14,305	30,763	45,068

December 2010	Revenues	Investment Properties	Property, plant and equipment	Inventories
Czech Republic	79,696	222,420	18,573	141,949
Germany	150,155	508,158	3,890	142,279
Russia	23,529	6,500	84,571	11,820
Poland	36,316	33,600	9,367	103,616
Croatia	16,159	470	112,118	2,146
Hungary	4,050	79,050	5,473	5
Slovakia	6,356	15,821	231	17,107
Luxembourg	12,020	22,017	3,628	34
Intersegment activities	(13,623)			
Revenue	**314,657**	**888,036**	**237,851**	**418,957**

December 2009	Revenues	Investment Properties	Property, plant and equipment	Inventories
Czech Republic	86,359	282,166	19,777	101,402
Germany	71,950	633,257	5,159	205,941
Russia	21,925	8,000	70,435	11,108
Poland	20,119	37,405	9,343	127,495
Croatia	13,952	500	120,787	2,163
Hungary	5,160	70,525	5,528	3
Slovakia	29,381	15,860	548	24,075
Luxembourg	8,532	24,591	4,100	10,419
Intersegment activities	(5,847)			
Revenue	**251,531**	**1,072,304**	**235,677**	**482,605**

6. Business combinations

No material business combination occurred in 2010, nor in 2009.

7. Intangible assets

The intangible assets of EUR 48.2 million (EUR 48.9 million in 2009) include mainly the GSG trademark recognized as part of the business combination accounting (EUR 7.2 million in 2010 and in 2009) and the goodwill on acquisitions (EUR 39.3 million goodwill in 2010 and 2009).

The impairment tests carried out on the goodwill did not lead to the recognition of any additionnal impairment in 2010 (EUR 2.3 million in 2009).

The sole goodwill recognized as at 31 December 2010 and 2009 is the GSG goodwill.

Since 1965, GSG has continuously developed its brand. Especially its initial role as a business promoter had a strong impact on the image of being a fair and reliable landlord. In the course, GSG managed to reinforce the brand by implementing a new corporate design, accompanied by specific marketing campaigns. The “change” into ORCO-GSG even helped to illustrate the shift to a modern service provider offering a wide range of additional products/services like the own glass fibre network or the support of start-up companies. Therefore the implemented brand has been and will be of vital importance and the fundamental basis to market the assets, to increase occupancy and maintain the good reputation. In this context, the useful life of GSG trademark has been assessed as indefinite.

8. Investment property

Investment property	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
Balance at 31 December 2008	**899,509**	**22,285**	**287,124**	**-**	**2,800**	**1,211,718**
Investments / acquisitions	3,502	67	7,535	9,023	-	20,127
Asset sales	-60,149	-	-7,279	-	-	-67,428
Revaluation through income statement	-102,698	-917	-65,723	-7,240	-1,020	-177,598
Transfers from properties under development	50,170	-	-	41,682	-	91,852
Other Transfers	3,107	-5	-7,033	-4,744	-1,500	-10,175
Translation differences	2,263	-	156	1,389	-	3,808
Balance at 31 December 2009	**795,704**	**21,430**	**214,780**	**40,110**	**280**	**1,072,304**
Investments / acquisitions	1,155	255	11,156	13,822	-	26,388
Asset sales	-50,256	-	-82	-	-293	-50,631
Revaluation through income statement	13,513	4,615	15,181	-7,348	-	25,961
Other transfers	-1,527	-	-196,875	-	-	-198,402
Translation differences	7,407	-	6,180	-1,184	13	12,416
Balance at 30 December 2010	**765,996**	**26,300**	**50,340**	**45,400**	**-**	**888,036**

The main assumptions used to calculate the fair value of the projects are disclosed in note 4.1.b.

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

- **In 2010**

74 investment properties (EUR 839.2 million) financed by bank loans located in special purpose entities are fully pledged for EUR 605.5 million.

A) Investments/ Acquisitions

During the year, the Group has invested EUR 26.4 million in investment property representing mainly capitalization on buildings under construction and investments for zoning and building permits. These investments have been partially financed by new bank loans for EUR 6.4 million.

- EUR 13.8 million for the development of the Budapest Stock Exchange, retail development in Budapest;
- EUR 7.8 million in Germany mainly on the Wertheim land plot in Berlin for EUR 7.6 million;
- EUR 2.0 million on mixed development of Bubny in Prague;
- EUR 1.0 million on the residential in the Czech Republic (Praga for EUR 0.8 million and Doupovska for EUR 0.2 million);
- EUR 0.4 million on the freehold building Radio Free Europe in the Czech Republic.

B) Asset sales

During the year, the net book value ("NBV") of the assets sold represents EUR 50.6 million, for a total sale price of EUR 52.5 million out of which EUR 31.4 million have been used to repay the bank loans, with a total net gain compared to the December 2009 DTZ valuation amounting to EUR 1.9 million and composed mainly of the following disposals:

Freehold buildings:

- Sale of Cumberland Haus in Berlin (NBV of EUR 28.0 million) at the sale price of EUR 28.7 million;
- Sale of Kurfürstendamm 103-104 residential and commercial building in Berlin (NBV of EUR 8.2 million) at the sale price of EUR 8.0 million;
- Sale of Max-Planck strasse in Cologne (NBV of EUR 5.8 million) at the sale price of EUR 5.5 million;
- Sale of Jeremiasova building in Prague (NBV of EUR 2.7 million) at the sale price of EUR 2.5 million;
- Sale of residential and commercial buildings in Berlin (NBV of EUR 4.1 million with Brunnenstrasse 27 at EUR 1.4 million, Geneststrasse 5-6 at EUR 1.7 million and Lütticher Strasse 49 at EUR 1.0 million) at the total sale price of EUR 4.5 million;
- Sale of residential properties in Prague (NBV of EUR 1.3 million) at the sale price of EUR 2.3 million.

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

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

- In Germany, the total amount of increase in fair value amounts to EUR 25.5 million (EUR 19.9 million on land bank and EUR 5.6 million on freehold buildings);
- In the Czech Republic, the increase in fair value amounts to EUR 10.3 million (EUR 6.0 million on freehold buildings, EUR 4.3 million on Extended stay hotel);
- In Hungary, the decrease in fair value amounts to EUR -2.6 million (EUR -7.3 million on buildings under construction, EUR 4.4 million on freehold buildings and EUR 0.3 million on extended stay hotels);
- In Poland, the decrease in fair value amounts to EUR -2.6 million on land bank;
- In Luxembourg, the decrease in fair value amounts to EUR -2.5 million on freehold building;
- In Russia, the decrease in fair value amounts to EUR -2.1 million on land bank.

D) Transfers

The transfers are mainly made of the following movements:

1) Freehold buildings

Main incoming assets:

- The Group stopped the sale process of 2 projects in Hungary (Main Budapest Bank for EUR 12.9 million and Small Budapest Bank for EUR 0.6 million) which have been transferred from assets held for sale (see note 10).

Main outgoing assets:

- The Group is expecting to sell 2 investment properties in Hungary which have been transferred in assets held for sale: Szervita Car Park (EUR 7.8 million) and Szervita empty office building (EUR 7.2 million, see note 10).

2) Land bank

- In 2010, the Investment committee approved the start of the process of filing the request of change of the Master plan of the Bubny plot with a view to sell totally or partially the urbanized land plots to other developers or co-developers. In that context and following the approval end of September 2010 by the municipal authorities of the project of urbanization of the Bubny area in the Center of Prague, the land development has been transferred to inventories (EUR 80.6 million).
- Na Frantisku in Ostrava in the Czech Republic (EUR 1.5 million) is transferred to assets held for sale (see note 10).
- The land plots of Bialystok (EUR 2.1 million) in Poland and Wertheim (EUR 112.7 million) in Germany have been transferred to assets held for sale (see note 10).

- **In 2009**

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

A) Investments / Acquisitions

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

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

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

B) Asset sales

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

Freehold buildings:

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

Land bank:

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

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

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

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

- In Croatia, the total decrease of fair value amounts to EUR -2.7 million on Land Bank.

D) Transfers

The transfers are mainly made of the following movements:

1/ Freehold buildings

Main Incoming Assets

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

- Hradcanska (EUR 14.8 million), Logistic Park Hlubocky (EUR 5.0 million) and Paris Department Store (EUR 21.5 million) are projects previously recognized as Inventories, which are now transferred to Investment Property (see note 13).

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

Main Outgoing Assets

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

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

Other movement

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

2/ Land bank

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

List of major investment properties:

	2010 Revaluation	Fair Value 31.12.10	2009 Revaluation	Fair Value 31.12.09
Freehold Buildings	**13,513**	**765,996**	**-102,698**	**795,704**
Germany	**5,575**	**506,138**	**-39,145**	**546,347**
Mixed retail & office	6,666	492,548	-31,535	515,362
Retail	-	-	-790	5,830
Office	-620	5,570	-2,980	7,160
Mixed office & residential	-	-	-448	9,610
Residential	-471	8,020	-3,392	8,385
Czech Republic	**5,951**	**177,156**	**-27,325**	**166,880**
Office	7,460	87,500	-14,748	79,390
Mixed retail & office	449	64,000	-5,012	60,050
Industrial	-1,512	22,470	-5,630	22,910
Residential	-446	3,186	-1,935	4,530
Slovakia	**-39**	**15,821**	**-8,082**	**15,860**
Mixed retail & office	-39	15,821	-8,082	15,860
Hungary	**4,413**	**31,300**	**-24,511**	**28,395**
Mixed retail & office	-314	14,550	-6,972	15,000
Mixed office & parking	4,886	-	-4,248	10,060
Hotel	-335	3,000	-1,030	3,335
Office	176	13,750	-12,261	-
Poland	**28**	**12,230**	**-1,618**	**12,170**
Mixed logistics & industrial	-122	6,580	-951	6,670
Office	150	5,650	-667	5,500
Luxembourg	**-2,494**	**22,017**	**-2,122**	**24,591**
Office	-2,494	22,017	-2,122	24,591
Other	79	1,334	105	1,461
Residential	84	874	-145	1,020
Mixed retail & residential	-5	460	250	441

	2010 Revaluation	Fair Value 30.12.10	2009 Revaluation	Fair Value 31.12.09
Land bank	**15,181**	**50,340**	**-65,723**	**214,780**
Czech Republic	**-88**	**22,880**	**-38,273**	**97,080**
Mixed use development	-	-	-14,871	75,000
Land Bank	116	5,620	-1,746	5,160
Residential development	-12	15,920	-21,284	15,470
Retail & office development	-192	1,340	-372	1,450
Germany	**19,985**	**2,020**	**-15,762**	**86,910**
Mixed use development	20,725	-	-12,833	84,300
Office development	-800	1,100	-1,517	1,750
Retail & office development	60	920	-1,412	860
Russia	**-2,115**	**6,500**	**-1,145**	**8,000**
Land bank	-2,115	6,500	-1,145	8,000
Poland	**-2,578**	**18,470**	**-7,929**	**22,290**
Residential development	-2,583	18,470	-7,150	20,280
Land bank	5	-	-779	2,010
Croatia	**-23**	**470**	**-2,745**	**500**
Land bank	-23	470	-2,745	500
Other	**-**	**-**	**131**	**-**
Buildings under finance lease	**-**	**-**	**-1,020**	**280**
Extended stay hotels	**4,615**	**26,300**	**-917**	**21,430**
Buildings under construction	**-7,348**	**45,400**	**-7,240**	**40,110**
Retail Hungary	-7,348	45,400	-7,240	40,110
TOTAL	**25,961**	**888,036**	**-177,598**	**1,072,304**

9. Hotels and owner-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance as at 31 December 2008	**102,659**	**2,164**	**191,870**	**296,693**
Investments / acquisitions	1,571	-	80	1,651
Disposal	-227	-	-	-227
Transfer	10,510	-	-11,335	-825
Translation differences	-1,314	-	525	-789
Balance as at 31 December 2009	**113,199**	**2,164**	**181,140**	**296,503**
Investments / acquisitions	231	-	79	310
Disposal	-224	-	-	-224
Transfer	-	-	5,695	5,695
Translation differences	4,031	-	2,582	6,613
Balance as at 31 December 2010	**117,237**	**2,164**	**189,496**	**308,897**
AMORTISATION AND IMPAIRMENT				
Balance as at 31 December 2008	**39,276**	**137**	**12,007**	**51,420**
Allowance	146	-	938	1,084
Impairments	10,727	1,030	19,013	30,770
Transfer	-119	-	-2,546	-2,665
Translation differences	795	-	-294	501
Balance as at 31 December 2009	**50,825**	**1,167**	**29,118**	**81,110**
Allowance	296	13	1,186	1,495
Impairments	329	253	11,268	11,850
Write back impairments	-8,401	-	-401	-8,802
Transfer	-	-	599	599
Translation differences	66	-	16	82
Balance as at 31 December 2010	**43,115**	**1,433**	**41,786**	**86,334**
NET AMOUNT as at 31 December 2010	**74,122**	**731**	**147,710**	**222,563**
Net amount as at 31 December 2009	**62,374**	**997**	**152,022**	**215,393**

The main assumptions used to calculate the fair value of the projects are disclosed in note 4.1.b.

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

- **In 2010**

22 projects (EUR 200.1 million) financed by bank loans located in special purpose entities are fully pledged for EUR 102.0 million.

During the year, the hotel Sirena on the Island of Hvar has been transferred back from assets held for sale to the hotel portfolio, as the Group does not intend to sell this property on a short term basis (acquisition cost of EUR 6.3 million and related amortisation of EUR 0.6 million).

As of December 31, 2010, the Group is expecting to sell one hotel in Hvar which has been transferred to assets held for sale: Café Pjaca (EUR 0.6 million) (see note 10).

Moreover, the Group entity Suncani Hvar sold the asset “Manager’s house” to Orco Adriatic, a subsidiary of Orco, held at 100%. This asset is recognized in inventory in Orco Adriatic.

The impairment tests based on the DTZ valuation reported as at December 2010 led to the recognition of the following impairments:

- Hotels: Riverside hotel (EUR 0.5 million), Hotel Adriana (EUR 1.3 million), Hotel Amfora (EUR 4.1 milion), Hotel Bodul (EUR 1.7 million), Hotel Delfin (EUR 0.5 million), Hotel Palace (EUR 0.4 million), Hotel Riva (EUR 0.4 million), Hotel Sirena (EUR 1.8 million), Hotel Pharos (EUR 0.5 million);
- Prepaid operating leases: Residence Sulekova (EUR 0.3 million);
- Own occupied building: Capellen Orco house (EUR 0.3 million).

Moreover, the impairment test led to the derecognition of part of the impairment from 2009 on the Andrassy hotel in Budapest for EUR 0.4 million, on the Molcom warehouse for EUR 8.3 million and on the Hvar headquarter for EUR 0.1 million.

- **In 2009**

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

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

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

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

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

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

10. Assets held for sale and liabilities linked to assets held for sale

Assets held for sale	December 2010	December 2009
Opening Balance	**48,930**	**-**
Asset Sales	-19,360	-
Deconsolidation of Stein	-10,000	-
Transfers	112,707	48,411
Translation differences	-379	519
Closing Balance	**131,898**	**48,930**

Liabilities linked to assets held for sale	December 2010	December 2009
Opening Balance	**51,451**	**-**
Repayments on sale	-15,473	-
Deconsolidation of Stein	-13,616	-
Accrued interests	285	-
Transfers	54,402	50,677
Translation differences	-555	774
Closing Balance	**76,494**	**51,451**

- **In 2010**

As at December 31, 2010, 3 assets held for sale (EUR 127.7 million) financed by bank loans located in special purpose entities are pledged for the amount of EUR 76.2 million.

As at December 31, 2010, the Group decided to sell 6 assets from its investment property portfolio (5 in 2009). These assets have been transferred in assets held for sale.

- Two of them are located in Hungary: Szervita Car Park (EUR 7.8 million) and Szervita empty building office (EUR 7.2 million, asset management) for a total debt amounting to 10.5 million;
- One project is located in Ostrava in the Czech Republic: Na Frantisku (EUR 1.5 million, debt free asset);
- One project is located in Poland: Bialystok (EUR 2.1 million, debt free asset);
- One project is situated in Germany: Wertheim (EUR 112.7 million). The bank debt on this asset amounts to EUR 66.0 million;
- The last project is a hotel situated in Hvar in Croatia: Café Pjaca (EUR 0.6 million, debt free asset).

Moreover, the Group deconsolidated the project Stein located in Slovakia (EUR 10.0 million) as this entity is in liquidation. The bank debt on this asset amounts to EUR 13.3 million and accrued interest amounts to EUR 0.3 million. As the bank loan was covered by a guarantee issued by the Company, a provision (corresponding to the net present value of the difference between the expected payments by the company and the restated net sales price of the asset) has been recognized for an amount of EUR 1.1 million (See note 19).

As at December 31, 2010, 3 assets previously recognized as held for sale have been transferred back to investment property or to the Hotel portfolio for EUR 19.2 million:

- Two projects in Hungary: Main Budapest Bank (EUR 12.9 million) and Small Budapest Bank (EUR 0.6 million) have been transferred in freehold building for a total debt of EUR 21.8 million;
- One project in Croatia: the Hotel Sirena on the Island of Hvar has been transferred back in Hotel portfolio for EUR 5.7 million.

The expected sales of the these projects in 2009 have not been finalized and no other potential buyers have been identified for the sale of these assets.

Moreover, two assets located in Germany and previously recognized as held for sale have been sold during the year:

- The project Helberger, in Frankfurt has been sold at its net book value (EUR 11.0 million for a debt of EUR 8.5 million);
- The project Wasserstr., in Düsseldorf has been sold for EUR 8.2 million (NBV of EUR 8.4 million for a debt of 7.0 million).

- **In 2009**

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

These assets have been transferred in assets held for sale.

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

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

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

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

11. Fixtures and fittings

	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2008	**29,380**	**-10,353**	**19,027**
Increase	2,165	-4,583	-2,418
Assets sales	-1,019	662	-357
Transfer	9,445	-5,466	3,979
Translation difference	-91	144	53
Balance at 31 December 2009	**39,880**	**-19,596**	**20,284**
Increase	979	-4,396	-3,417
Assets sales	-2,686	1,177	-1,509
Transfer	-392	445	53
Translation difference	487	-610	-123
Balance at 31 December 2010	**38,268**	**-22,980**	**15,288**

- **In 2010**

Main increase are mostly due to the development of the warehouse of Molcom in Russia (EUR 0.6 million) and due to the development of the Pachtuv (EUR 0.1 million).

Main decrease relates to the sale of the fixtures and fittings on project Vysocany Gate in Czech Republic (EUR 1.4 million) and on the warehouse in Molcom (EUR 0.5 million).

An impairment for EUR 0.9 million has been recognized on furnitures and equipments during the year in Germany.

- **In 2009**

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

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

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

12. Financial assets at fair value through Profit or Loss

This line includes mainly 3 financial assets:

- the fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 10.9 million (EUR 10.5 million in 2009).The Endurance fund managed by the Group (see note 28) is divided in three specialised sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 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 0.4 million (EUR 19.8 million loss in 2009).
- The non eliminated portions of the equity loans (including accrued interest) granted to joint-ventures for EUR 43.85 million (EUR 44.4 million in 2009) correspond to 50% of the loan granted to the hospitality joint-venture with real estate investment funds managed by AIG subsidiary. The profit participation loan granted to the joint venture holding company has been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan. The change in fair value has been recognised through profit or loss for a total loss of EUR 3.6 million (EUR 22.9 million in 2009). The fair value amounts to EUR 17.3 million as at 31 December 2010 (EUR 21.3 in 2009).
- On July 8, 2010, the Shareholders of the Hospitality Invest joint venture entered into an agreement which provided for the recapitalization of the joint venture with the following terms:

  Additional cash amounting to EUR 5.9 million was advanced to the joint venture, as an additional Profit Participation Loan, from which EUR 5 million was used to make a repayment on the Pokrovka loan granted by the Group, to the joint venture's subsidiary MMR Russia S. à r.l..

Liabilities of the joint venture and its subsidiaries amounting to EUR 1.6 million due to the Group and affiliated entities were set off against a corresponding increase in the Profit Participation Loan.

Orco Property Group S.A. assigned its interest as Lender on the Pokrovka loan granted to MMR Russia S. à r.l. to Hospitality Invest S. à r.l. in consideration for an increase in the Profit Participation Loan advanced from Endurance Hospitality Finance S. à r.l. equal to the outstanding balance on the Pokrovka loan of EUR 43.7 million.

13. Inventories

	31 December 2010	31 December 2009
Opening Balance	**482,605**	**529,827**
Abandoned development projects	-	-39,956
Net impairments	-8	-39,659
Transfers	80,624	-29,626
Translation differences	11,231	2,582
Development costs	10,275	135,207
Cost of goods sold	-165,770	-75,770
Closing Balance	**418,957**	**482,605**

Inventories properties are developed with the intention to sell.

- **In 2010**

Development costs amounted to EUR 10.3 million have been capitalized mainly for Mostecka (EUR 2.6 Million), Benice (EUR 0.7 million), Bubny (EUR 1.3 million), Sky Office (EUR 0.4 Million) and Zlota (EUR 0.2 Million).

Cost of goods sold amounting to EUR 165.8 million have been registered mainly for:

- **Commercial projects** of which H2 Office in Duisburg (EUR 29.0 million),Vysocany Gate (EUR 22.2 million), Oranienburg (EUR 10.6 million), Guetersloh (EUR 10.4 million), Ministergarten (EUR 9.2 million), Tschaikowkistrasse (EUR 8.7 million), Danzigerstarsse (EUR 5.5 million), Rudna (EUR 4.7 million) and part of the Bubny plot (EUR 3.7 million);
- **Residential projects** of which Malborska (EUR 17.6 million), Koliba (EUR 6.5 million), Kosic (3.9 million), Drawska (EUR 4.5 million), Peugeot (EUR 3.8 Million), Bedrichov (EUR 3.2 Million), Mokotowska (EUR 2.8 Million), Nove Dvory (EUR 2.7 million), Michle (EUR 2.0 Million) and Plachta III (EUR 1.5 Million).

The transfers arise mainly from the project Bubny (EUR +80.6 million), transferred from Investment Property to Inventories.

Impairments have been recognized mainly on the following projects:

- Benice:EUR 1.7 Million
- Radotin: EUR 0.9 Million
- Koliba: EUR 0.5 Million
- Bedrichov: EUR 0.5 Million
- Kosic: EUR 0.5 Million

Impairments have been reversed on the following projects:

- Sky Office: EUR 2.4 Million
- Vavrenova : EUR 1.8 Million

8 projects in development (EUR 379.4 million) are pledged for a total amount of EUR 182.8 million.

- **In 2009**

The Group decided to abandon and to sell two projects:

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

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

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

Impairments have been recognized mainly on the following properties:

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

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

14. Gain / loss on disposal of assets

- **In 2010**

In the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 72.1 million generating a consolidated net gain of EUR 1.2 million and a net cash inflow after financial debt repayment amounting to EUR 25.2 million.

- **In 2009**

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

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

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

15. Other current assets

	Balance at 31 December 2009	Variation	Impairments	Transfer	Translation differences	Balance at 31 December 2010
Prepayment tax and social security	6,414	1,183	-	178	335	8,110
Operating loans	13,769	-4,329	-	1,834	956	12,230
Accrued assets	20,891	26,982	-	-28,102	-58	19,713
Other current assets	3,482	2,248	-8,811	8,740	60	5,719
Accrued interests	4,245	143	-	644	128	5,160
Other assets	5,995	995	5,679	-5,590	46	7,125
Advance payment for work in progress	1,551	193	-	-725	29	1,048
Total other current assets	**56,347**	**27,415**	**-3,132**	**-23,021**	**1,496**	**59,105**

The Group has recorded impairments on an advance payment related to a Russian partner for EUR 8.8 million.

Following the settlement of reciprocal obligations with DAIG, the impairment related to this transaction has been fully released for an amount of EUR 5.7 million.

16. Cash and cash equivalents

As at 31 December 2010, the cash and cash equivalents consist of short term deposits for EUR 3.9 million (EUR 2.2 million in 2009), cash in bank for EUR 49.4 million (EUR 54.6 million in 2009) and cash in hand for EUR 0.1 million (EUR 0.2 million in 2009).

Cash in bank include restricted cash (EUR 24.3 million in 2010– EUR 35.2 million in 2009) representing:

- cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal (EUR 2.9 million – EUR 6.5 million in 2009);
- cash deposited in accounts reserved as collateral for development projects and lifted after sales of units (EUR 4.2 million – EUR 10.0 million in 2009);
- cash deposited in accounts reserved as collateral for loans related to the acquisition of property (EUR 17.2 million – EUR 18.7 million in 2009).

17. Non controlling interests' transactions

- **In 2010**

- In December 2010, the Group proceeded with its Russian partner to the restructuring of the russian activities. The company MOLCOM CJSC has been transfered to a new cyprus company Sarakina Enterprises Company Limited, which is held at 69% by the Group. The company Karousa Enterprises Company Limited, previously owned by Orco-Molcom B.V., which is held at 69%, has been sold to the Group and 30% of these shares have been sold to the russian partners. These operations led to an impact on the non controlling interests of EUR 14.1 million.
- The Group increased its participation by 0.84% in Orco Germany. This operation led to an impact on the non controlling interests of EUR -0.4 million.
- The Group increased its participation by 49.68 % in Office II Invest S.A. This operation led to an impact on the non controlling interests of EUR 0.3 million.
- In January 2010, the joint venture company Kosic S.àr.l. repaid part of the share premium to both joint venture holders, the Group and GECGE Kosik Investors S.àr.l, for EUR 1.9 million. According to the agreement with the partners, this operation led to an impact on the consolidated reserves of the Group EUR -0.3 million.

- **In 2009**

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

18. Borrowings, bank loans, bonds and derivatives

18.1 Non-current bonds

Non-current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2008	**135,044**	**294,393**	**429,437**
Interest accumulated during the year	14,131	14,099	28,230
Transfer to short term	-	-47,921	-47,921
Own bonds	1,200	-1,549	-349
Balance at 31 December 2009	**150,375**	**259,022**	**409,397**
Interest from 31 Dec to 19 May	6,057	4,783	10,840
Balance at 19 May 2010	**156,432**	**263,805**	**420,237**
Derecognition of bonds	-156,432	-171,978	-328,410
Entry of new bonds	51,141	82,744	133,885
Own bonds	-1,280	-9,204	-10,484
Interest from 19 May to 31 December	7,248	13,191	20,439
Balance at 31 December 2010	**57,109**	**178,558**	**235,667**

- **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, i.e. not the one issued by Orco Germany S.A.) 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 excluding deductions from own bonds 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 269.5 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 consolidated 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 Hvar 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 155.1 million for the termed out bonds and to EUR 101.5 million for Orco Germany bonds.

	Carrying value of termed out bonds	Fair value of termed out bonds	Carrying value of OG Bonds	Fair value of OG Bonds
Bonds	149,697	155,101	94,192	82,175
Derivative instruments on bonds	-	-	19,323	19,323
Bonds as at 31/12/2010	**149,697**	**155,101**	**113,515**	**101,498**

- **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 Group reimbursed 110 bonds (out of 140 outstanding) in 2008 amounting to CZK 1,100,000,000 (EUR 40.8

million). During the year 2009, bondholders requested the reimbursement of 27 bonds CZK, out of the 30 bonds still outstanding, for a value of CZK 200,000,000 (EUR 7.7 million). The Bond CZK is classified in short term for CZK 300,000,000 (EUR -11.3 million) as its repayment can be requested on demand due to a breach of loan covenant (the CZK bonds were downgraded by Moody's in 2008).

18.2 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:

<u>Bonds</u>

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

<u>Bonds</u>

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 non-current financial obligations 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.

Balance at 31 December 2008	**19,395**
Interests accumulated during the period	123
Owns Bonds	-1,548
Balance at 31 December 2009	**17,970**
Interests from 31 Dec to 19 May	53
Balance at 19 May 2010	***18,023***
Derecognition of Bonds	-18,023
Entry of new bonds	9,635
Own bonds	-2,350
Interests from 19 May to 31 December 2010	1,003
Balance at 31 December 2010	**8,288**

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). From issue date to 31 December 2010, the Group has repurchased 226,233 exchangeable bonds (225,081 as at 31 December 2009).

As 31 December 2010, the current part of the bonds amounts to EUR 0.6 million (nil in 2009).

18.3 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 18.6 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 January 20, 2010 and ends on February 15, 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 February 16, 2010 and ends on November 18, 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 exercice 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 Profit and Loss 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).

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**

18.4 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

Balance at 31 December 2008	**135,044**
Interests accumulated during the period	14,131
Owns Bonds	1,200
Balance at 31 December 2009	**150,375**
Interests 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
Own bonds	-1,355
Interests from 19 May to 31 December 2010	7,248
Balance at 31 December 2010	**60,034**

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

As at 31 December 2010, the Group holds 27 205 bonds (none as at 31 December 2009).

18.5 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

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 Group has reimbursed 110 bonds (out of 140 outstanding) amounting to 1,100,000,000 CZK (EUR 40.8 million in 2008). Out of the 30 remaining bonds, reimbursement requests have been received for 27 bonds in 2009.

See note 2.1.1.2 for covenants explaining the non-repayment of the balance in 2009 due to the Safeguard procedure.

18.6 Bonds with repayable subscription warrants ("OBSAR 2")

Refer to the note 18.3 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 1.6 existing shares and/or subscribe to 1.6 new shares at the exercise price of EUR 11.2 to be paid in cash.

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

- the average share price of 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:

Bonds

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

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 1.73 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

Bonds

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.

Balance at 31 December 2008	**142,717**
Interests accumulated during the period	8,700
Owns Bonds	-740
Balance at 31 December 2009	**150,677**
Interests from 31 Dec to 19 May	3,280
Balance at 19 May 2010	***153,957***
Derecognition of Bonds	-153,957
Entry of new bonds	57,645
Own bonds	-7,830
Interests from 19 May to 31 December 2010	7,172
Balance at 31 December 2010	**56,987**

As 31 December 2010, the current part of the bonds amounts to EUR 3.3 million (nil in 2009).

As at 31 December 2010, the Group owned 15,633 bonds (8,533 in 2009), amounting to EUR 2,361,652 (EUR 1,421 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.

18.7 Bonds with repayable subscription warrants ("OBSAR OG")

Bonds

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

Warrants

Number of warrants	9,328,851 (corresponding to 63 warrants/issued bond)
Exercise ratio	one warrant gives the right to one share
Exercise price	EUR 15.60
Exercise period	30 May 2007 until 30 May 2014
Early repayment	From 30 May 2010, the issuer may, upon notice to the warrantholders, redeem the warrants at EUR 0.01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceding period of 30 consecutive dealing days
ISIN	XS0302626899
Listing	Luxembourg Stock Exchange

The funds raised with this bond have been, at issuance, divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond were deducted from the funds raised. The equity component (EUR 13.5 million reduced by EUR 3.7 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 19.3 million (EUR 8.5 million in 2009) classified in non-current financial liabilities under Derivative Instruments, represents the market value of the redemption premium granted to the bondholders if the average market price of Orco Germany shares does not reach a certain level before the repayment date. As at December 2010, the management used a credit spread of 20% (43 % as at December 2009). This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss account using the effective interest method.

Balance at 31 December 2008	**86,793**
Interests accumulated during the period	3,581
Balance at 31 December 2009	**90,374**
Interests from 31 Dec to 19 May	1,451
Balance at 19 May 2010	***91,825***
Interests from 19 May to 31 December 2010	2,368
Balance at 31 December 2010	**94,193**

As at 31 December 2010, the Group owned 2,947,311 warrants (2,947,311 in 2009).

18.8 Non-current financial debts

Non-current financial debts	Bank loans	Other non-current borrowings	Finance lease liabilities	TOTAL
Balance at 31 December 2008	**793,418**	**31,939**	**1,126**	**826,483**
Issue of new loans and drawdowns	41,912	1,456	20	43,388
Amortized cost review	-	-17,972	-	-17,972
Repayments of loans	-44,803	-378	-44	-45,225
Transfers	-317,480	-1,095	-	-318,575
Translation differences	-3,645	160	20	-3,465
Balance at 31 December 2009	**469,402**	**14,110**	**1,122**	**484,634**
Issue of new loans and drawdowns	13,006	4,042	-	17,048
Repayments of loans	-47,733	-1,500	-1,213	-50,446
Transfers	70,792	-39	36	70,789
Translation differences	4,418	493	55	4,966
Balance at 31 Decmber 2010	**509,885**	**17,106**	**-**	**526,991**

- **2010**

Issue of new bank loans and draw downs (EUR 13.0 million) mainly relate to the refinancing for Molcom in Russia (EUR 12.3 million).

Repayment of bank loans (EUR -47.7 million) mainly relate to the following operations in Germany:

- Sales of healthcare developments (EUR -27.9 million);
- Sale of the Brunnenstr. 27 (EUR -1.1 million);
- Ku-dammstr. 103 (EUR -4.7 million);
- Sale of part of the project Genestr. 5-6 (EUR -1.0 million);
- Repaymentof the loan in Molcom due to the refinancing of the debt (EUR -10.1 million).

Transfers of bank loans (EUR 70.8 million) are mainly due:

- to the reclassification of the bank loan of the project Kosic in the Czech Republic (EUR -4.5 million), that will fall due within twelve months.

- to the reclassification in short term of the bank loan that will be repaid early 2011 (EUR -1.9 million) upon reception of the funds on Jeremiasova project sold in 2010

- to settlement of previous breaches on financial covenants for the bank loans financing the following projects:
    In Slovakia: Dunaj (EUR 13.1 million);
    In Germany: Invalidenstr. 112 (EUR 2.9 million);
    In the Czech Republic: Bubny (EUR 5.5 million) and Vlatska (EUR 19.1 million).

- to renegotiation of bank loans financing the following projects:
    Koliba (EUR 3.5 million) in Slovakia, extended till 2012, with an increase of the margin of 0.75% ;

Na Porici (EUR 37.6 million) in the Czech Republic, extended till 2012, with an increase of the margin of 1.5%;

As at 31 December 2010, the total carrying value of non-current loans in breach due to non respected covenants amounts to EUR 101.9 million (EUR 156.0 million as at 31 December 2009) (not included in the table above).

Other non-current borrowings are mainly equity loans from joint ventures and loans from partner companies. The new loans (EUR 4.1 million) mainly relate to Praga, Benice and Hospitality (EUR +0.1 million, EUR +0.5 million and EUR +3.4 million respectively).

- **2009**

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

- further drawdowns for the construction of Oranienburg senior residence in Germany (EUR 7.0 million);

- further drawdowns for Na Porici (EUR 6.9 million);

- drawdowns for Healthcare projects (EUR 13.7 million);

- drawdowns for Kosic (EUR 4.4 million);

- refinancing for the Paris department store (EUR 2.8 million) and Budapest Stock Exchange (EUR 2.0 million) in Hungary;

- refinancing for Diana development (EUR 2.5 million) in Poland and Belgicka residence (EUR 1.2 million) in Czech Republic;

- various other small projects (EUR 1.4 million).

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

- Asset sales in Germany: Immanuelkirchstrasse (EUR -7.2 million), Reinhardtstrasse (EUR -6.8 million), Prenzlauer (EUR -1.4 million), Kollwitzstrasse (EUR -1.4 million), Wilhelm Kuhr Str. (EUR -1.3 million), Görschstrasse (EUR -1.3 million), John Schehr Str. (EUR -1.4 million), Brunnenstrasse (EUR -1.5 million) and Pappelallee (EUR -2.6 million).

- Sale of Nove Dvory (EUR -5.1 million), Brno Shopping (EUR -2.6 million) in the Czech Republic.

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

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

- to new breaches on financial covenants for the bank loans financing the following projects: Suncani Hvar (EUR -41.1 million) in Croatia; Zlota (EUR -40.7 million), Marki (EUR -3.7 million), and Przy Parku (EUR -3.6 million) in Poland; Franklinstrasse (EUR -29.4 million) in Germany; Main Budapest Bank (EUR -19.6 million), and Budapest Stock Exchange (EUR -24.2 million) in Hungary. These loans would be repayable on demand if they are declared in default by the bank hence the non-current part has been reclassified as current.
As at 31 December 2009, the total carrying value of loans in breach due to financial covenants amounts to EUR 364.7 million. As at 30 March 2010, none of the loans with breach of covenants as at 31 December 2009 have been restructured. The objective of the management is to restructure and renegotiate these loans in priority to comply as soon as possible with the bank loan covenants.

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

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

18.9 Current financial debts

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

Current financial debts	Bank loans	Other current borrowings	TOTAL
Balance at 31 December 2008	**275,796**	**5,597**	**281,393**
Issue of new loans and drawdowns	54,224	9,269	63,493
Repayments of loans	-20,060	-4,540	-24,600
Transfers	329,966	-8,060	321,906
Translation differences	4,999	36	5,035
Balance at 31 December 2009	**644,925**	**2,302**	**647,227**
Issue of new loans and drawdowns	6,924	307	7,231
Repayments of loans	-104,303	-6,152	-110,455
Write off of Bank loan	-13,616	-	-13,616
Transfers	-75,336	4,490	-70,846
Translation differences	6,226	9	6,235
Balance at 31 December 2010	**464,820**	**956**	**465,776**

The table includes loans linked to assets held for sale (EUR 76.5 million, EUR 51.5 million in 2009).

In 2010

The issue of new loans mainly relates to further draw downs in Hvar and Vaci 1 (EUR 0.2 million and EUR 6.4 million respectively).

The repayment of bank loans (EUR -104.3 million) mainly related to sale of investment properties, land plots and residential development units :

- In Germany: H2 Office (EUR -24.2 million), Cumberland (EUR -20.0 million), Helberger (EUR -8.5 million), Wasserstr. (EUR -7.0 million), Max-Planck Str. (EUR -3.0 million) and Luetticher str. (EUR -0.9 million);
- In Poland: Targowek/Marborska (EUR -15.2 million) and Drawska (EUR -4.3 million);
- In the Czech Republic: North East corner on the Bubny plot (EUR -7.9 million), Kosic (EUR -4.3 million) and Benice (EUR -2.7 million);
- In Slovakia: Koliba (EUR -3.8 million).

The bank loan of Stein for EUR 13.6 million has been derecognized as the company has been deconsolidated due to bankruptcy process. Due to the guarantee given by Orco Property Group S.A. and due to the application of the Safeguard plan, the guarantee is still valid, but the repayment schedule will follow the repayment schedule of the Safeguard plan. In this context, the Net Present Value of the guarantee has been recognized for EUR 1.1 million (EUR 0.1 million in short term and EUR 1.0 million in long term).

The transfer of bank loans are mainly explained as follow:

- ➢ settlement of long term bank loan covenant breaches from 31 December 2009, which led to the reclassification of bank loans into long term debts for EUR 40.5 million:
  - In the Czech Republic, 2 bank loans previously in breach of covenants have been reclassified or partly reclassified in long term for EUR 24.5 million;
  - In Germany, 1 bank loan previously in breach of covenants has been partly reclassified in long term for EUR 2.9 million;
  - In Slovakia, 1 bank loan previously in breach of covenants has been reclassified in long term for EUR 13.1 million;
- ➢ renegotiation of bank loans, which led to the transfer of bank loans in long term for EUR 41.1 million (see note 18.8);
- ➢ reclassification of bank loans, that will fall due within twelve months (EUR 6.3 million).

Finally, EUR 132.2 million of bank loans due in 2010 have been extended to 2011, following the renegotiation with the banks:

In the Czech Republic, the short term bank loans renegotiated for one year in 2010, amounts to EUR 24.2 million;

In Germany, the short term bank loans renegotiated for one year in 2010, amounts to EUR 96.8 million;

In Poland, the short term bank loans renegotiated for one year in 2010, amounts to EUR 2.7 million;

In Slovakia, the short term bank loans renegotiated for one year in 2010, amounts to EUR 6.0 million;

In Russia, the short term bank loans renegotiated for one year in 2010, amounts to EUR 2.5 million;

In 2009

The transfer of current financial debts are mainly explained as follow:

- - to the reclassification of the bank loans, that will fall due within twelve months of year end for EUR 149.3 million (see note 18.8);
- - to new breaches on financial covenants for EUR 162.3 million (see note 18.8);

The issue of new loans mainly relates to further draw downs in the following countries:

- EUR 4.4 million on Zlota in Poland;
- EUR 2.1 million in Hvar in Croatia,
- EUR 30.0 million on Sky Office in Germany;
- EUR 14.0 million on H2Office in Germany;
- EUR 3.3 million on other projects in Poland.

Repayment of bank loans mainly relates to assets sales or amortisation of the bank loans on the following countries:

- EUR 9.5 million in the Czech Republic;
- EUR 5.0 million in Germany;
- EUR 3.2 million in Poland;
- EUR 2.1 million in Slovakia.

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

Current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2008	**-**	**11,075**	**11,075**
Interest accumulated during the year	-	27	27
Transfer to short term	-	47,921	47,921
Translation differences	-	196	196
Balance at 31 December 2009	**-**	**59,219**	**59,219**
Interest from 31 Dec - 19 May	-	1,306	1,306
Balance at 19 May 2010	**-**	**60,525**	**60,525**
Derecognition of bonds	-	-60,525	-60,525
Entry of new bonds	3,000	5,978	8,978
Own bonds	-75	-681	-756
Balance at 31 Decmber 2010	**2,925**	**5,297**	**8,222**

As at 31 December 2010 the current portion of the total bonds amounts to EUR 8.2 million, following the application of the repayment schedule of the Safeguard plan.

18.10 Borrowings maturity

In 2010, the non-current bonds and financial debts amount to EUR 0.8 billion (in 2009 EUR 0.9 billion). The table below represents the carrying value of the debts allocated by date of repayment. The amounts are disclosed at nominal except for the term out bonds for which the carrying value has been split based on the annual repayment percentage defined by the Safeguard Plan disclosed in note 2.1, with the unrecognised portion of the nominal and interests disclosed in the column 'unaccrued'. All amounts are shown net of own bonds.

At 31 December 2010	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total	Unaccrued liabilities
Non-current							
Bonds		**-**	**115,474**	**82,107**	**38,086**	**235,667**	**650,690**
Convertible bonds	18.4	-	7,611	37,466	12,032	57,109	218,196
Non Convertible	18.2 - 3, 18.5 - 7	-	107,863	44,641	26,054	178,558	432,494
Financial debts		-	**368,372**	**91,562**	**67,057**	**526,991**	
Bank loans		-	368,372	91,562	49,951	509,885	
Bank loans fixed rate		-	12,940	8,969	11,058	32,967	
Bank loans floating rate		-	355,432	82,593	38,893	476,918	
Other non-current borrowings		-	-	-	17,106	17,106	
Total		-	483,846	173,669	105,143	762,658	
Current							
Bonds		**8,222**	-	-	-	**8,222**	
Convertible bonds	18.4	2,925	-	-	-	2,925	
Non Convertible	18.2 - 3, 18.5 - 7	5,297	-	-	-	5,297	
Financial debts		**389,282**	-	-	-	**389,282**	
Bank loans		388,326	-	-	-	388,326	
Bank loans fixed rate		23,534	-	-	-	23,534	
Bank loans floating rate		364,792	-	-	-	364,792	
Other borrowings		956	-	-	-	956	
Liabilities linked to assets held for sale		**76,494**	-	-	-	**76,494**	
Bank loans floating rate		10,215	-	-	-	10,215	
Bank loans fixed rate		66,000	-	-	-	66,000	
Accrued interests		279	-	-	-	279	
Total		473,998	-	-	-	473,998	

At 31 December 2009	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current						
Bonds		-	-	**258,720**	**150,677**	**409,397**
Convertible bonds	18.4	-	-	150,375	-	150,375
Exchangeable bonds	18.2	-	-	17,971	-	17,971
Fixed rate bonds	18.3, 18.5 - 7	-	-	90,374	150,677	241,051
Financial debts		-	**18,492**	**392,094**	**74,048**	**484,634**
Bank loans		-	18,492	392,094	58,816	469,402
Fixed rate		-	2,599	17,932	9,768	30,299
Floating rate		-	15,893	374,162	49,048	439,103
Other non-current borrowings		-	-	-	14,110	14,110
Finance lease liabilities		-	-	-	1,122	1,122
Total		-	18,492	650,814	224,725	894,031
Current						
Bonds		**59,219**	-	-	-	**59,219**
Floating rate bonds	18.4	11,298	-	-	-	11,298
Fixed rate bonds	18.3, 18.5 - 7	47,921	-	-	-	47,921
Financial debts		**595,776**	-	-	-	**595,776**
Bank loans		593,475	-	-	-	593,475
Bank loans fixed rate		99,798	-	-	-	99,798
Bank loans floating rate		493,677	-	-	-	493,677
Other borrowings		2,301	-	-	-	2,301
Liabilities held for sale		**51,451**	-	-	-	**51,451**
Bank loans floating rate		51,451	-	-	-	51,451
Total		706,446	-	-	-	706,446
TOTAL		706,446	18,492	650,814	224,725	1,600,477

- **2010**

The other non-current borrowings mainly relate to equity loans granted by our partners in joint ventures.

The Group has entered into interest rate derivatives representing 81.2% of the non-current floating rate borrowings (72.7% in 2009) and 21.7% of the current floating rate borrowings (35.7% in 2009), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 0.969 billion (1.108 billion as at 31 December 2009).

Held for sale liabilities in Current represent the loans in respect of Szervita and Wertheim which are classified as held for sale and accrued interests amounting to EUR 0.3 million.

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

	31 December 2010	31 December 2009
EUR	996,340	1,344,648
CZK	107,372	116,310
PLN	52,914	75,021
RUR	-	761
USD	53,697	48,867
HUF	-	270
HRK	26,333	14,600
Total	**1,236,656**	**1,600,477**

- **In 2009**

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

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

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

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

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

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

18.11 Loans with covenants breaches

	As at 31 December 2010			As at 31 December 2009		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans reclassified in ST						
due to Financial covenant breach	37,686	-	**37,686**	46,392	-	**46,392**
due to Non repayment	41,320	-	**41,320**	41,689	-	**41,689**
due to Administrative breach	4,300	-	**4,300**	43,625	-	**43,625**
due to Financial and administrative breach and/or non repayment	18,566	-	**18,566**	24,314	-	**24,314**
Total LT loans reclassified in ST	101,872	-	**101,872**	156,020	-	**156,020**
Short term loans in breach						
due to Financial covenant breach	13,980	70	**14,050**	66,695	188	**66,883**
due to Non repayment	32,807	8,131	**40,938**	62,087	2,318	**64,405**
due to Administrative breach	-	-	-	26,450	266	**26,716**
due to Financial and administrative breach and/or non repayment	18,272	687	**18,959**	10,465	192	**10,657**
Total ST loans in breach	65,059	8,888	**73,947**	165,697	2,964	**168,661**
Total loans linked to assets held for sale	10,215	892	**11,107**	39,540	-	**39,540**
Total Loans in Breach	**177,146**	**9,780**	**186,926**	**361,257**	**2,964**	**364,221**

The movements in loans with covenants breaches are mainly explained as follow:

- settlement of loan covenant breaches from 31 December 2009 for EUR 154.8 million out of which EUR 40.5 million led to the transfer of bank loans into long term debts (see note 18.8);
- 3 new breaches on bank loans covenants for EUR 33.6 million;
- Sale of assets for which the bank loan was in breach of covenants as at 31 December 2009 for EUR 39.6 million;

EUR 143.9 million on bank loans for which a loan covenants was in breach as at 31 December 2009 have not been settled as at 31 December 2010.

18.12 Undrawn bank credit facilities

	31 December 2010	31 December 2009
Expiring within one year	63,042	98,064
Expiring after one year	49,681	34,771
Total	112,723	132,835

- **In 2010**

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

- The partial sale of Targowek / Malborska in Poland, the partial sale of Koliba in Bratislava and the partial sale of Slunecny Phase 3 in the Czech Republic had undrawn credit facilities of EUR 24.0 million as at December 31, 2010;
- Molcom have contracted a new loan and have reimbursed the credit facility with this loan for EUR 13.0 million;
- Brno City Center entered into a new credit facility for EUR 1.1 million and in the same time Brno City reimbursed a facility loan for EUR 2.3 million;
- Sky office in Germany have increased its credit line for EUR 5.3 million but did not draw anything as of December 31, 2010;
- Hagibor reimbursed EUR 1.5 million on its credit facility;
- Several other companies reimbursed credit facilities for EUR 1.8 million;

- EUR 69.4 million of the undrawn credit facilities in 2009 expired in 2010.

- **In 2009**

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

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

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

18.13 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 other financial results.

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

Embedded derivatives on bonds correspond to the derivatives embedded in the OBSAR OG (see notes on the specific bonds 18.3 and 18.6).

Orco Property Group 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 and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates. As at 31 December 2010 the total debt covered by interest rate swaps and collars amounts EUR 469.4 million (EUR 495.7 million in 2009) or 55.0% of the floating rate debt (53.2 % in 2009).

	31 December 2010	31 December 2009
Interest rate derivatives	-	255
Forex derivatives	-	2,440
Total current assets	-	2,695
Share derivatives	-	702
Embedded derivatives on bonds (see note 18.7)	19,323	8,587
Total non-current liabilities	19,323	9,289
Embedded derivatives on bonds (see note 18.2)	-	6,817
Interest rate derivatives	27,469	37,563
Total current liabilities	27,469	44,380
Net derivatives	-46,792	-50,974

18.14 Capitalised interests on inventories and properties under development

	31 December 2010	31 December 2009
Inventories	884	7,779
Properties under construction	3,252	2,736
Capitalised interests	**4,136**	**10,515**

18.15 Average effective interest rates (current and non current)

	31 December 2010					
	EUR	CZK	HUF	PLN	HRK	USD
Termed out bonds after 19 May 2010	23.10%	-	-	-	-	-
Non termed out bonds after 19 May 2010	4.11%	-	-	-	-	-
Termed out bonds before 19 May 2010	7.31%	7.67%	-	-	-	-
Non termed out bonds before 19 May 2010	4.11%	-	-	-	-	-
Bank borrowings	4.45%	4.21%	-	10.75%	4.97%	10.04%

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

18.16 Minimum lease payments

	31 December 2010	31 December 2009
Future rent more than 5 years	-	3,756
Future rent up to 5 years	-	504
Future finance charges on finance leases	-	-3,138
Capitalised interests	**-**	**1,122**

19 Provisions & other long term liabilities

This caption includes other long term liabilities for EUR 0.7 million (EUR 2.0 million in 2009) representing mainly retention on general contractors' invoices when applicable and provisions for EUR 13.6 million in 2010 (compared to EUR 15.0 million in 2009) which include mainly provisions accumulated to cover the Group's retirement benefit obligation as detailed hereafter. In 2010, provisions for restructuring amount to EUR 0.3 million (none in 2009).

Due to the bankruptcy procedure of the company Orco Blumentaska a.s. in Slovakia (project Stein), this company has been deconsolidated. 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.

Retirement benefit obligation:

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

	31 December 2010	31 December 2009
Present value of unfunded obligations	9,194	8,662
Unrecognised actuarial gains	596	1,136
Liabilities in the balance sheet	**9,790**	**9,798**

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

	31 December 2010	31 December 2009
Beginning of the year	**8,662**	**7,964**
Current service cost	18	26
Interest cost	444	455
Actuarial gains	472	617
Benefits paid	-402	-400
End of the year	**9,194**	**8,662**

The principal actuarial assumptions used were as follows:

	31 December 2010	31 December 2009
Discount rate	4.75%	5.25%
Future salary increases	2.75%	2.75%
Future pension increases	2.00%	2.00%
Corridor	10.00%	10.00%

20 Current liabilities

Current liabilities as at 31 December 2010 presented below do not include derivatives instruments for EUR 27.5 million, neither tax, payroll and social security for EUR 15.6 million (EUR 16.6 million in 2009):

At 31 December 2010	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	45,590	139,462	212,452	397,504
Trade payables	7,320	9,248	4,443	21,011
Advance payments	5,871	15,478	11,365	32,714
Other current liabilities	34,689	25,122	12,629	72,440
Liabilities linked to assets held for sale	-	76,494	-	76,494
Total	**93,470**	**265,804**	**240,889**	**600,163**

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

Financial debts include current bonds for an amount of EUR 8.2 Million (EUR 59.2 Million for 2009) payable on 30 April 2011.

21 Other operating expenses and employee benefits

	31 December 2010	31 December 2009
Leases and rents	-4,593	-4,640
Building maintenance and utilities supplies	-31,085	-29,863
Marketing and representation costs	-4,543	-6,434
Administration costs	-24,016	-26,938
Taxes other than income tax	-8,944	-6,529
Other operating expenses	-1,289	-1,899
Salaries	-36,332	-40,118
Social security expenses	-6,383	-6,668
Pension costs	-694	-833
Stock options	-211	-226
Other employee benefits	-494	-499
Other personnel related charges	-1,058	-942
Total other operating expenses	**-119,642**	**-125,589**

Fees related to PricewaterhouseCoopers, the Group auditors and their affiliates, are set out below:

	31 December 2010	31 December 2009
Audit services pursuant to legislation	-1,531	-1,964
Other audit related services	-1,112	-1,160
Other services relating to taxation	-339	-245
Total	**-2,982**	**-3,369**

22 Foreign exchange result

	31 December 2010	31 December 2009
Foreign exchange result from revaluation of investment property	-2,656	-954
Other foreign exchange result	6,760	5,640
Total	**4,104**	**4,686**

23 Other net financial results

	31 December 2010	31 December 2009
Change in carrying value of liabilities at amortised cost *(1)*	272,737	17,972
Change in fair value and realised result on derivative instruments *(2)*	6,173	-2,241
Change in fair value and realised result on other financial assets *(3)*	1,964	-43,712
Other net finance charges *(4)*	-13,700	-8,719
Gain (loss) on other financial results	**267,174**	**-36,700**

- **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 388.9 million (net of own bonds EUR 11.2 million) plus EUR 17.1 million accrued interest (net of interest on own bonds EUR 1.3 million) and the fair value of EUR 135.9 million of the termed out bonds (net of own bonds EUR 6.5 million). Furthermore, the gain on the bonds repurchased after 19 May 2010 amounts to EUR 2.4 million. For further analysis see note 2.1 and note 18.

(2) Change in the fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Group and in fair value of other derivatives (IRS and forwards). Please refer to note 18 and note 4.1 for further details.

(3) Change in the fair value of other financial assets essentially relates to financial assets at fair value through profit or loss.

It relates to:

- Investment in Endurance Fund compartments for EUR 0.3 million
- The non eliminated part of two loans granted to the Hospitality joint-venture has been fair valued on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at closing date. A loss has been recognised for EUR 3.6 million.
- Reversal of impairment on an advance payment to third party valued at nil in 2009 and revalued at EUR 6.4 million in 2010, following the pledge of this loan on 10% of an SPV on an asset located in Russia.

(4) Other finance charges consist mainly of impairment of loan receivables registered in other current assets to third party (EUR -8.7 million), finance and legal fees relating to the financial restructuring, and bank charges.

- **In 2009**

(1) The non eliminated part of one loan granted to the Hospitality joint venture has been valued at amortised cost on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at inception of the equity loan. A gain has been recognised for EUR 18.0 million.

(2) Change in the fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Group and in fair value of other derivatives (IRS, options and forwards) (Please refer to note 18 and note 4.1 for further details).

(3) Change in the fair value of other financial assets essentially relates to financial assets at fair value through profit or loss.

It relates to:

- Investment in Endurance Fund compartments for EUR -19.8 million, of which EUR 2.5 million linked to a liquidity discount applied of 20%.
- The non eliminated part of two loans granted to the Hospitality joint venture has been fair valued on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at closing date. A loss has been recognised for EUR 22.9 million.

(4) Other net finance charges consist primarily of restructuring fees, bank charges, overdrafts, and an impairment (EUR -1.4 million) of loan receivable from Vignette investment.

24 Income taxes

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

	December 2009	Scope Variation	Variation	Change in %	Currency translation	December 2010
Intangible assets	-2,152	-	-3	-	-	-2,155
Tangible assets	-88,923	1,571	-3,536	-412	-763	-92,062
Financial assets	3,483	-	3,214	626	84	7,407
Inventories	6,262	431	-4,096	391	24	3,012
Current assets	-5,876	-	-897	386	-52	-6,439
Equity	-1,294	-	-422	118	-13	-1,611
Provisions	1,361	-	-1,670	295	-	-14
Long term debts	-11,676	-	2,622	827	-67	-8,294
Current debts	6,418	-	-2,453	-138	31	3,858
Recognized loss carry forward	-5,086	-796	-3,261	-1,128	-108	-10,380
Total deferred taxes	-97,483	1,206	-10,502	965	-864	-106,678
Deferred tax assets	**3,742**					**114**
Current part	61					-
Non current part	3,681					114
Deferred tax liabilities	**-101,225**					**-106,792**
Current part	-4,907					-6,635
Non current part	-96,318					-100,157

	December 2008	Scope Variation	Variation	Other	Change in %	December 2009
Intangible assets	-2,151	-	-1	-	-	-2,152
Tangible assets	-142,093	2,748	50,308	-	114	-88,923
Financial assets	3,072	-502	963	-	-50	3,483
Inventories	-6,540	1,308	11,703	-	-209	6,262
Current assets	-3,930	385	-1,101	-870	-360	-5,876
Equity	-1,277	-	2	-53	34	-1,294
Provisions	-196	-	2,166	-495	-114	1,361
Long term debts	-16,151	863	4,550	-187	-751	-11,676
Current debts	4,422	-	2,078	-45	-37	6,418
Recognized loss carry forward	4,292	-	-9,458	-	80	-5,086
Total deferred taxes	-160,552	4,802	61,210	-1,650	-1,293	-97,483
Deferred tax assets	**7,352**					**3,742**
Current part	38					61
Non current part	7,314					3,681
Deferred tax liabilities	**-167,904**					**-101,225**
Current part	-2,645					-4,907
Non current part	165,259					-96,318

	December 2010	December 2009
Profit /(Loss) before tax	**230,819**	**-364,374**
Tax calculated at domestic rates applicable to profits in the respective countries	69,450	-89,339
Tax effects of:		
Untaxed gains or losses	-113,178	1,569
Undeductible charges and interests	3,525	3,066
Unrecognised loss carry forward	48,629	33,388
Other income tax	-	-132
Remeasurement of deferred tax - change in tax rates	-965	1,292
Adjustments from previous years	704	1,298
Tax benefit / charge	**8,165**	**-48,858**

- **In 2010**

The income tax rates in the Group vary from 14.50% in Hungary up to an average of 33.33% in France.

In 2010, the theoretical tax rate is 30.09% (24.52% in 2009) and the effective tax rate of the period is -3.54% (2009: 13.41%). The income tax loss recognized in the income statement amount to EUR -8.2 million and composed of EUR 1.3 million of current income tax revenue and EUR -9.5 million of deferred income taxes expenses arising essentially from reversal of deferred tax assets made following the booking of positive revaluations and impairments booked on properties (EUR 23.0 million).
Compared to 2009, some changes have been made on the following applicable tax rates, due to new tax legislation:

	Income Tax Rates		Deferred Tax rates	
	2010	2009	2010	2009
Croatia	20.00%	20.00%	20.00%	20.00%
Czech Republic	19.00%	20.00%	19.00%	19.00%
France	33.33%	33.33%	33.33%	33.33%
Germany	30.17%	30.17%	30.17%	30.17%
Hungary	14.50%	16.00%	10.00%	19.00%
Luxembourg	30.84%	30.84%	28.80%	30.84%
Poland	19.00%	19.00%	19.00%	19.00%
Russia	20.00%	20.00%	20.00%	20.00%
Slovakia	19.00%	19.00%	19.00%	19.00%

- **In 2009**

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

In 2009, the theoretical tax rate is 24.52% (23.08% in 2008) and the effective tax rate of the period is 13.41% (2008: 9.84%). The income tax benefit recognized in the income statement amount to EUR 48.9 million and composed of EUR 8.1 million of current income tax expenses and EUR 57.0 million of deferred income taxes gain arising essentially from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 62.0 million).

25 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	**2,196,963**	**-86,039**
Issue of new shares	2,216,923	-
Treasury shares	-19,960	-86,039
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**13,131,728**	**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	**14,218,684**	**10,731,961**
Net profit/(loss) attributable to the Equity holders of the Company	**233,411**	**-250,564**
Effect of assumed conversions / exercises	**-92,610**	**-**
Convertible bond	-92,610	-
Net profit /(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	**140,801**	**-250,564**
Basic earnings in EUR per share	17.77	-23.35
Diluted earnings in EUR per share	9.90	-23.35

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

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

In December 2009, 833 084 Warrants have been attributed to Management (see note 29).

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.

26 Equity holders

Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2008	**10,943,866**	**44,870**	**400,524**
Balance at 31 December 2009	**10,943,866**	**44,870**	**400,524**
Capital increase	3,110,000	12,751	3,464
Balance at 31 December 2010	**14,053,866**	**57,621**	**403,988**

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 Group 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

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 18.3).

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 18.4)

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 18.4

Repayable subscription warrants

See notes 18.3, 18.6 and 18.7

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 Group to issue a maximum of 1 million new shares subscribed on the demand of Orco Property Group S.A. by SG. All subscriptions will be at an issue price of 96% of the share price at the time of execution. As at 31 December 2006, the Company has issued 450,000 new shares for a total amount of EUR 43.8 million.

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

On 13 August 2008 the Group has concluded with Société Générale a third PACEO in the overall limit of 2,000,000 new shares over a period of 24 months (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.

27 Contingencies

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

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

28 Capital and other commitments

- Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at 31 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);
  - EUR 33.1 million out of EUR 35.0 million subscribed for the office II sub-fund (EUR 28.8 million in 2009).

- As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at December 2010 amount to EUR 0.1 billion (EUR 0.6 billion in 2009). This does not take into account the potential investments in future projects like Bubny in Prague or hotels to be refurbished in Suncani Hvar.

- End of 2007, the Group entered into an agreement for the acquisition of a retail building under construction to be delivered in 2009. This engagement of USD 300 million is covered by an advance payment of USD 25 million. This advance payment recorded in the consolidated financial statements as a long term receivable amounts to EUR 6.4 million (fully impaired as at December 2009). This impairment was partially reversed in 2010 on the basis of the Net Asset Value of the entity holding the project, for which a 10% shareholding will be exchanged with the advance payment.

- Bank loans covenants (see note 3.3 and 18.8)
- Other commitments

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

29 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 Group. Until February 2009, the Executive Committee was made of 20 people. After the restructuring of the group management and the alignment of its structure with the business lines, the Executive Committee has been reduced to 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 Group a termination indemnity payment for a total amount of EUR 34 Million. As a result of the reduction of the number of persons covered by this termination agreement as at 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 members 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 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, effective 16 December 2010.

A RUR 28 Million loan granted in July 2007 by CJSC MOPT(s) R-MOLCOM, a subsidiary of the Company, to one of its Director has been fully repaid in August 2009.

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 in previous paragraph) 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 180,151 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. As at 31 December 2010, litigation is pending in front of Luxembourg court.

Steven Davis also benefited from a loan of CZK 1,520,000 (EUR 56,438) from Orco Project Management s.r.o. (now Orco Prague, a.s.), a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31 December 2008. In 2009, the Company has launched legal action to recoup this receivable and the loan has been fully impaired. In 2010, the first instance court in Prague pronounced a judgment by which Mr. Davis shall return to Orco Prague a.s. CZK 1,020,000, but accepted Mr. Davis's defense counterclaim for CZK 500,000. Orco Prague a.s. appealed the decision with respect to CZK 500,000. Mr. Davis already paid CZK 1,020,000. Orco Prague a.s. also sued Mr. Davis for CZK 700,000 for unjust enrichment and IPB Real a.s. sued Mr. Davis for CZK 86,000 for unpaid rent. These litigations are pending as at 31 December 2010.

<u>(c) Other transactions with key management personnel</u>

In 2009, two real estate assets were sold to two members of the Executive Committee for a total amount of EUR 0.4 Million with no discount. Over 2010, no sale of asset with members of the Executive Committee were closed.

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 Group 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 three sub-funds existing as at 31 December 2010 (see note 12). As at 31 December 2010, the Group’s subscription to the office I, office II and residential sub-funds represent respectively 16.16%, 15.69% and 5.79% of the total subscription (in 2009, 16.16%, 8.29% and 7.98% respectively).

Orco’s remuneration from the office and residential sub-funds amounting to EUR 3.5 Million in 2010 (EUR 4.2 Million in 2009) is linked to:

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

As at 31 December 2010, open invoices for unpaid management fees amounted to EUR 8.8 Million (EUR 7.2 Million as at December 2009). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor. 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 loan amounting to EUR 700,000 has a final repayment date of 26 August, 2013 and bears an annual interest of 30%.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 0.7 Million revenue (EUR 1.2 Million in 2009) and EUR 0.5 Million expenses (EUR 1.3 Million in 2009). They also resulted as at 31 December 2010 in a net receivable of EUR 0.4 Million (a net payable of EUR 0.3 Million as at 31 December 2009).

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

- **Employee stock options**

See note 26

30 List of the fully consolidated subsidiaries

Company	Country	Ccy	Activity	% Shareholding 31.12.2010	% Shareholding 31.12.2009
Americká 1, a.s. (merged in Americka Park, a.s.)	Czech Republic	CZK	Leasing	/	100%
Americká 33, a.s. (merged in IPB Real, a.s.)	Czech Republic	CZK	Leasing	/	100%
AMERICKÁ - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká Park, a.s.	Czech Republic	CZK	Leasing	100%	100%
Anglická 26, s.r.o. (merged in Záhřebská 35, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
Ariah Kft.	Hungary	HUF	Leasing	100%	100%
Belgická - Na Kozačce, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Blue Yachts, d.o.o.	Croatia	HRK	Hotel	38.88%	38.88%
Brno City Center a.s.	Czech Republic	CZK	Development	100%	100%
Bubenska 1 a.s.	Czech Republic	CZK	Leasing	100%	100%
Bubny Development s.r.o.	Czech Republic	CZK	Development	100%	100%
BYTY PODKOVA, a.s.	Czech Republic	CZK	Development	75%	75%
Capellen Invest S.A.	Luxembourg	EUR	Leasing	100%	100%
Central European Real Estate Management S.A. (in liquidation)	Luxembourg	EUR	Management	100%	100%
CWM 35 Kft.	Hungary	HUF	Leasing	100%	100%
Darilia a.s.	Czech Republic	CZK	Development	100%	100%
Development Doupovskà, s.r.o.	Czech Republic	CZK	Development	100%	100%
Diana Property Sp. z.o.o.	Poland	PLN	Extended stay	100%	100%
Endurance Advisory Company S.A.	Luxembourg	EUR	Development	100%	100%
Endurance Hospitality Assets S.à r.l.	Luxembourg	EUR	Hotel	88%	88%
Endurance Hospitality Finance S.à r.l.	Luxembourg	EUR	Hotel	88%	88%
Endurance Real Estate Management Company S.A.	Luxembourg	EUR	Management	100%	100%
Energia Jeden Sp. z.o.o. (in liquidation)	Poland	PLN	Development	100%	100%
Hagibor Office Building a.s.	Czech Republic	CZK	Leasing	100%	100%
IPB Real Reality, a.s. (merged in Seattle, s.r.o.)	Czech Republic	CZK	Development	/	100%
IPB Real, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, s.r.o.	Czech Republic	CZK	Development	100%	100%
Jeremiašova Invest s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Jihovychodni Mesto, a.s.	Czech Republic	CZK	Development	75%	75%
Karousa Enterprises Company Limited	Cyprus	USD	Development	70%	69%
M & Q Sp. z.o.o.	Poland	PLN	Development	100%	100%
MÁCHOVA - ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Meder 36 Projekt Kft.	Hungary	HUF	Leasing	100%	100%
Megaleiar a.s.	Czech Republic	CZK	Development	100%	100%
Mikhailovka o.o.o.	Russia	RUB	Development	100%	100%
Mikhailovka Land o.o.o.	Russia	RUB	Development	100%	100%
MMR Management, s.r.o.	Czech Republic	CZK	Holding	100%	90%
MOLCOM CJSC	Russia	RUB	Leasing	69%	69%

Company	Country	Ccy	Activity	% Shareholding 31.12.2010	% Shareholding 31.12.2009
MS-Invest o.o.o.	Russia	RUB	Development	69%	69%
Na Poříčí a.s.	Czech Republic	CZK	Leasing	100%	100%
Nad Petruskou, s.r.o. (merged in Zahrebska 35, s.r.o.)	Czech Republic	CZK	Leasing	/	100%
NOVÉ MEDLÁNKY a.s. (merged in Seattle, s.r.o)	Czech Republic	CZK	Development	/	100%
Nupaky a.s.	Czech Republic	CZK	Development	100%	100%
Oak Mill, a.s.	Czech Republic	CZK	Development	100%	100%
Obonjan Rivijera d.d.	Croatia	HRK	Development	50%	50%
Office Center Hradcanska (previously Certuv Ostrov, a.s.)	Czech Republic	CZK	Development	100%	100%
Office II Invest S.A.	Luxembourg	EUR	Holding	100%	50.32%
Onset, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Adriatic d.o.o.	Croatia	HRK	Development	100%	100%
Orco Blumentalska a.s. (in bankrupcy)	Slovakia	EUR	Development	/	100%
Orco Budapest Zrt.	Hungary	HUF	Leasing	100%	100%
Orco Commercial Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Construction Sp. z.o.o.	Poland	PLN	Development	75%	75%
Orco Development Kft.	Hungary	HUF	Development	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Development	75%	75%
ORCO Development, s.r.o.	Slovakia	EUR	Development	100%	100%
ORCO Enterprise Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Estate Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Development	100%	100%
ORCO Estates, s.r.o.	Slovakia	EUR	Development	100%	100%
Orco Financial Services s.r.o.	Czech Republic	CZK	Holding	100%	100%
Orco Hungary Kft.	Hungary	HUF	Leasing	100%	100%
ORCO INVESTMENT, a.s. (merged in Seattle, s.r.o.)	Czech Republic	CZK	Development	/	100%
Orco Logistic Sp. z o.o.	Poland	PLN	Development	100%	100%
Orco Poland Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Praga s.r.o.	Czech Republic	CZK	Development	75%	75%
ORCO Prague, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Project Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Property Sp. z.o.o.	Poland	PLN	Development	75%	75%
Orco Razvoj d.d.	Croatia	HRK	Development	100%	100%
ORCO Residence, s.r.o.	Slovakia	EUR	Development	100%	100%
Orco Residential Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Russian Retail S.A.	Luxembourg	EUR	Leasing	100%	100%
ORCO Slovakia, s.r.o.	Slovakia	EUR	Development	100%	100%
Orco Vagyonkezelö Kft.	Hungary	HUF	Development	100%	100%
Orco Vision Sp. z.o.o. (in liquidation)	Poland	PLN	Development	100%	100%
Orco-Molcom B.V.	Netherlands	EUR	Development	69%	69%
Orco Molcom o.o.o.	Russia	RUB	Development	69%	69%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Private Security Enterprise "MOLCOM" CJSC	Russia	RUB	Leasing	69%	69%

Company	Country	Ccy	Activity	% Shareholding	% Shareholding
				31.12.2010	31.12.2009
První Kvintum Praha a.s.	Czech Republic	CZK	Development	100%	100%
RESIDENCE MASARYK, a.s. (merged in IPB Real, a.s.)	Czech Republic	CZK	Leasing	/	100%
Seattle, s.r.o.	Czech Republic	CZK	Development	100%	100%
Stein, s.r.o.	Slovakia	EUR	Development	100%	100%
SUNČANI HVAR d.d.	Croatia	HRK	Hotel	55.55%	55.55%
Theonia Enterprises Company Ltd	Cyprus	USD	Development	100%	100%
TO Green Europe, a.s.	Czech Republic	CZK	Development	100%	100%
TQE Asset, a.s.	Czech Republic	CZK	Leasing	100%	100%
VINOHRADY S.à r.l.	France	EUR	Holding	100%	100%
Viterra Development Ceska, s.r.o.	Czech Republic	CZK	Development	100%	100%
Viterra Development Polska Sp. z.o.o.	Poland	PLN	Development	100%	100%
Vaci 1 Kft (previously Yuli Kft.)	Hungary	HUF	Leasing	100%	100%
Vysocanska Brana, a.s. (previously Sportovni 1, a.s.)	Czech Republic	CZK	Development	100%	100%
Záhřebská 35, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Sarakina Enterprises Company Ltd	Cyprus	EUR	Holding	69%	/

Company	Country	Ccy	Activity	% Shareholding 31.12.2010	% Shareholding 31.12.2009
ORCO Germany S.A.	**Luxembourg**	**EUR**	**Leasing**	**58.94%**	**58.10%**

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

An den Gärten GmbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.8%	94.8%
Cybernetyki Business Park Sp. z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	100%
Endurance HC Alpha S.à r.l. (Sold in 2010)	Luxembourg	EUR	Development	/	100%
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Epsilon S.à r.l. (Sold in 2010)	Luxembourg	EUR	Development	/	100%
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Development	100%	100%
Endurance HC FF&E S.à r.l. (Sold in 2010)	Luxembourg	EUR	Development	/	100%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	100%
GSG 1. Beteiligungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	99.75%	99.75%
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	99.75%
Knorrstrasse 119 Verwaltungs GmbH	Germany	EUR	Holding	100%	100%
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	94.99%
Lora Grundbesitz GmbH (merged in Orco Immobilien GmbH)	Germany	EUR	Leasing	/	100%
Orco Berlin Invest GmbH	Germany	EUR	Development	100%	100%
Orco Erste VV GmbH	Germany	EUR	Development	100%	100%
Orco Germany Investment S.A.	Luxembourg	EUR	Holding	100%	100%
Orco-GSG Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100%	100%
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH (merged in Orco Immobilien GmbH)	Germany	EUR	Development	/	100%
Orco Projekt 103 GmbH	Germany	EUR	Leasing	100%	100%
ORCO Projektentwicklung GmbH	Germany	EUR	Development	100%	100%
Orco Vermietungs- und Services GmbH	Germany	EUR	Development	100%	100%
Viterra PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH (sold in 2010)	Germany	EUR	Development	/	94.8%
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%
Stauffenbergstr. Drei GmbH (merged in Orco Projektentwicklung GmbH)	Germany	EUR	Development	/	100%
TSM Berlin GmbH (sold in 2010)	Germany	EUR	Leasing	/	100%
Tucholskystr.39/41 GmbH & Co. Grundbesitz KG (merged in ORCO Germany S.A.)	Germany	EUR	Leasing	/	100%
Viterra Baupartner GmbH	Germany	EUR	Development	100%	100%
Viterra Erste PEG mbH	Germany	EUR	Development	100%	100%
Viterra Zweite PEG mbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100%
Viterra Fünfte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100%	100%

Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100%	100%
Westendstr. 28 Ffm GmbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	94%

31 List of the joint-ventures

31.1 Kosic S.à r.l.

The Group has a 50% interest in Kosic S.à r.l., a Luxembourg based holding company which in turn holds 100% of the 3 operational companies. The following amounts represent the Group's 50% share (50% in 2009) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

	31 December 2010	31 December 2009
Non-current assets	-	-
Current assets	31	983
Assets	**31**	**983**
Non-current liabilities	144	61
Current liabilities	409	510
Liabilities	**553**	**571**
Income	296	285
Expenses	-153	-416
Profit/(loss) after income tax	**143**	**-131**

31.2 Kosic Development s.r.o.

The Group has a 50% interest in a joint venture, Kosic Development s.r.o., corresponding to the project's phase I in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2009) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

	31 December 2010	31 December 2009
Non-current assets	1	3
Current assets	330	912
Assets	**331**	**915**
Non-current liabilities	18	31
Current liabilities	31	157
Liabilities	**49**	**188**
Income	104	475
Expenses	-169	-603
Profit/(loss) after income tax	**-65**	**-128**

31.3 SV Faze II s.r.o.

The Group has a 50% interest in a joint venture, SV Faze II s.r.o., corresponding to the project's phase II in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2009) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

	31 December 2010	31 December 2009
Non-current assets	16	15
Current assets	6,247	14,880
Assets	**6,263**	**14,895**
Non-current liabilities	46	4,458
Current liabilities	571	4,549
Liabilities	**617**	**9,007**
Income	4,335	7,089
Expenses	-4,733	-6,755
Profit/(loss) after income tax	**-398**	**334**

31.4 Slunecny Vrsek III s.r.o.

The Group has a 50% interest in a joint venture, Slunecny Vrsek III s.r.o, corresponding to the project's phase III in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2009) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

	31 December 2010	31 December 2009
Non-current assets	31	68
Current assets	973	2,158
Assets	**1,004**	**2,226**
Non-current liabilities	11	-
Current liabilities	35	212
Liabilities	**46**	**212**
Income	591	3,880
Expenses	-1,232	-3,457
Profit/(loss) after income tax	**-641**	**423**

31.5 Knorrstrasse 119 GmbH & Co. KG

The Group has a 29.47% interest in a joint venture, PEG Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the Group's 29.47% share (29.05% in 2009) of assets and liabilities, and sales and results of the joint ventures. They are included in the consolidated balance sheet and income statement:

	31 December 2010	31 December 2009
Non-current assets	-	-
Current assets	4,539	4,238
Assets	**4,539**	**4,238**
Non-current liabilities	-	-
Current liabilities	4,498	4,201
Liabilities	**4,498**	**4,201**
Income	13	-
Expenses	-16	-23
Profit/(loss) after income tax	**-3**	**-23**

31.6 Hospitality

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

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

The following amounts represent the Group's 50% (50% in 2009) share of assets and liabilities, and sales and results of the joint ventures. They are included in the consolidated balance sheet and income statement:

	31 December 2010	31 December 2009
Non-current assets	58,522	57,100
Current assets	6,183	5,061
Assets	**64,705**	**62,161**
Non-current liabilities	47,839	44,254
Current liabilities	4,667	4,490
Liabilities	**52,506**	**48,744**
Income	16,270	31,502
Expenses	-18,171	-26,201
Profit/(loss) after income tax	**-1,901**	**5,302**

32 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 trading.

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.

Acquisition of own shares

By a letter dated February 21, 2011, Orco Property Group received an official notification from Office II Invest S.A., indirectly owned by Orco Property Group, according to which Office II Invest S.A. holds directly 624,425 ordinary shares of Orco Property Group, equal to 4,44% of the total voting rights in Orco Property Group. Since Office II Invest S.A. is indirectly owned by Orco Property Group, the voting rights attached to 624,425 shares held by Office II Invest are suspended.

b) ORCO Germany and HGHI to co-develop Leipziger Platz

In November 2010, ORCO Germany confirmed that it would sell the project to High Gain House Investments GmbH (HGHI), a local developer, while co-developing the plot into a mixed project made of a shopping centre, offices and residential units for a total of 72,600 sqm NLA. On 31 January 2011, the transaction has been closed for a net sales price of EUR 89 Million (for the first three instalments), plus an additional payment of EUR 30 Million payable after finalization of the project.

The transaction is executed in several instalments. The first part of the sales price of EUR 67 Million has been paid in January 2011 and has been solely used to repay the bank debt for the project. A second part was paid in February 2011. A third part is deferred to cover for project development risks overtaken by ORCO for a maximum amount of EUR 10 Million. The last additional payment will become due after finalization of the project. As the transaction was completed after year-end, it will be reflected in Q1 2011 accounts as an asset sale.

c) 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.