



## Report of the independent auditors

### To the Shareholders of Orco Property Group S.A.

#### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orco Property Group S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' responsibility for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the Group, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, these consolidated financial statements give a true and fair view of the consolidated financial position of Orco Property Group S.A. as of December 31, 2007, and of its financial performance and changes cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

Luxembourg, April 10, 2008

Pricewaterhouse Coopers S.à. r.l.  
Réviseur d'entreprises  
Represented by

Anne-Sophie Preud'homme

H.R.T. REVISION S.A.  
Réviseur d'entreprises  
Represented by

Dominique Ransquin



Orco Property Group's Board of Directors has approved on 27 March 2008 the consolidated financial statements for 2007. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

## I → CONSOLIDATED INCOME STATEMENT

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

	Note	December 2007	December 2006
<b>Revenue</b>	<b>5</b>	<b>299 229</b>	<b>172 908</b>
Net gain from fair value adjustment on investment property	5, 8	147 376	145 901
Other operating income	23	30 878	2 786
Cost of sales		-168 955	-119 224
Employee benefit		-58 198	-30 141
Amortization, impairments and provisions		-17 027	-4 076
Other operating expenses		-56 199	-33 906
<b>Operating result</b>		<b>177 104</b>	<b>134 248</b>
Interest expenses	20	-66 345	-18 133
Interest income	20	8 911	2 393
Foreign exchange result		-5 662	-3 624
Other net financial results	24	-10 763	8 040
<b>Financial result</b>		<b>-73 859</b>	<b>-11 324</b>
<b>Profit before income taxes</b>		<b>103 245</b>	<b>122 924</b>
Income taxes	25	-2 341	-25 069
<b>Net profit</b>		<b>100 904</b>	<b>97 855</b>
Attributable to minority interests		13 396	1 156
<b>Attributable to the Group</b>		<b>87 508</b>	<b>96 699</b>
Basic earnings in EUR per share	26	9,15	12,58
Diluted earnings in EUR per share	26	8,53	10,11



## II → CONSOLIDATED BALANCE SHEET

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

### ASSETS

	Note	December 2007	December 2006
<b>NON-CURRENT ASSETS</b>		<b>2 147 468</b>	<b>992 605</b>
Intangible assets	7	67 016	1 545
Investment property	8	1 564 947	749 438
<b>Property, plant and equipment</b>		<b>419 575</b>	<b>213 860</b>
Hotels and own-occupied buildings	9	294 170	165 502
Fixtures and fittings	10	21 036	15 036
Properties under development	11	104 369	33 322
<b>Financial assets at fair value through profit &amp; loss</b>	12	<b>82 182</b>	<b>21 196</b>
<b>Deferred tax assets</b>	25	<b>13 748</b>	<b>6 566</b>
<b>CURRENT ASSETS</b>		<b>795 795</b>	<b>487 749</b>
Inventories	13	323 699	248 884
Trade receivables	14	64 891	52 602
Other receivables		115 610	42 597
Derivative Instruments	20	22 396	22 595
Current Financial Assets	16	11 222	20 451
Cash and cash equivalents	17	257 977	98 339
Held for sale activities	18	0	2 281
<b>TOTAL</b>		<b>2 943 263</b>	<b>1 480 354</b>

### EQUITY AND LIABILITIES

	Note	December 2007	December 2006
<b>EQUITY</b>		<b>939 835</b>	<b>518 425</b>
Shareholders' equity		736 012	454 232
Minority interests		203 823	64 193
<b>LIABILITIES</b>		<b>2 003 428</b>	<b>961 929</b>
<b>Non-current liabilities</b>		<b>1 587 783</b>	<b>673 075</b>
Bonds	20	472 812	240 854
Financial debts	20	831 724	315 106
Provisions & other long term liabilities	21	18 154	11 822
Derivative Instruments	20	21 153	16 545
<b>Deferred tax liabilities</b>	25	<b>243 940</b>	<b>88 748</b>
<b>Current liabilities</b>		<b>415 645</b>	<b>288 854</b>
Financial debt	20	175 216	95 370
Trade payables	22	50 220	55 526
Advance payments	22	101 678	63 377
Derivative Instruments	20	4 872	161
Other current liabilities		83 659	72 947
Held for sale activities	18	0	1 473
<b>TOTAL</b>		<b>2 943 263</b>	<b>1 480 354</b>



**III → CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

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

	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Shareholders equity	Minority interests	Equity
<b>Balance at 1 January 2006</b>	<b>27 850</b>	<b>118 964</b>	<b>9 353</b>	<b>0</b>	<b>87 030</b>	<b>243 197</b>	<b>47 726</b>	<b>290 923</b>
<b>Gains or losses for the period :</b>								
Translation differences			10 260			10 260	416	10 676
Profit of the period					96 699	96 699	1 156	97 855
Dividends relating to 2005					-5 993	-5 993		-5 993
Capital increase	6 548	78 588			-2 409	82 727		82 727
Equity derivative instruments					18 826	18 826		18 826
Treasury shares	27				1 768	1 768		1 768
Stock option plan	27				7 572	7 572		7 572
Anglicka 26 revaluation					801	801		801
MMR transactions	19				-5 617	-5 617	-5 834	-11 451
Orco Germany transactions	19				5 098	5 098	22 948	28 046
Other minority interests' transactions	19				-1 106	-1 106	-2 219	-3 325
<b>Balance at 31 December 2006</b>	<b>34 398</b>	<b>197 552</b>	<b>19 613</b>	<b>0</b>	<b>202 669</b>	<b>454 232</b>	<b>64 193</b>	<b>518 425</b>
<b>Gains or losses for the period :</b>								
Translation differences			8 885			8 885	29	8 914
Profit of the period					87 508	87 508	13 396	100 904
Dividends relating to 2006					-8 647	-8 647	-161	-8 808
Capital increase	10 033	198 210			-12 026	196 217		196 217
Equity derivative instruments					10 974	10 974	487	11 461
Treasury shares	27			-15 158	319	-14 839		-14 839
Stock option plan	27				1 514	1 514		1 514
GSG transactions	19				5 047	5 047	69 134	74 181
Hospitality transactions	19				-	0	6 297	6 297
Minority interests' transactions	19				-4 879	-4 879	50 448	45 569
<b>Balance at 31 December 2007</b>	<b>44 431</b>	<b>395 762</b>	<b>28 498</b>	<b>-15 158</b>	<b>282 479</b>	<b>736 012</b>	<b>203 823</b>	<b>939 835</b>



**IV → CONSOLIDATED CASH FLOW STATEMENT**

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

		December 2007	December 2006
<b>Operating result</b>		<b>177 104</b>	<b>134 248</b>
Net gain from fair value adjustments		-147 376	-145 901
Amortization, impairments & provisions		17 027	4 076
Gain and losses on disposal of investments		-27 150	-93
Stock options plans	27	1 514	7 571
<b>Adjusted operating profit</b>		<b>21 119</b>	<b>-99</b>
Financial result		6 258	5 240
Income tax paid		-6 118	-1 204
<b>Financial result and income taxes paid</b>		<b>140</b>	<b>4 036</b>
<b>Changes in operating assets and liabilities</b>		<b>-10 929</b>	<b>8 696</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>10 330</b>	<b>12 633</b>
Acquisition of subsidiaries, net of cash acquired	6	-329 372	-69 887
Capital expenditures	5.1	-505 745	-342 427
Proceeds from sales of non current tangible assets		36 870	3 831
Purchase of intangible assets		-313	-1 199
Purchase of financial assets		-56 990	-5 820
Proceeds from sale of hotel portfolio to AIG	6	42 919	0
Net interest paid		-46 291	-18 441
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>-858 922</b>	<b>-433 943</b>
Issue of equity instruments from shareholders	27	201 848	84 495
Issue of equity instruments from minority	19	80 666	31 814
Proceeds from borrowings	20	851 675	434 644
Repayments of borrowings	20	-118 839	-75 754
Dividend paid to company's shareholders	27	-8 647	-5 993
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>1 006 703</b>	<b>469 206</b>
<b>NET INCREASE IN CASH</b>		<b>158 111</b>	<b>47 896</b>
Cash and cash equivalents at the beginning of the period		98 344	49 089
Exchange difference on cash		1 522	1 359
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>		<b>257 977</b>	<b>98 344</b>





**NOTE 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 in Central and Eastern Europe. It is principally involved in leasing out investment property under operating leases as well as in asset management, in operating hotels and extended stay hotels and is also very active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business. During 2007, the Group has substantially focused on growing its property portfolio with acquisitions in Germany, Russia, Czech Republic and Slovakia.

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 27 March 2008.

**NOTE 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.

**2.1 Basis of preparation**

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union.

The consolidated financial statements are presented in thousands of euros, which is the Company’s functional and Group’s presentation currency, and have been prepared under the historical cost convention except that investment property is carried at fair value and financial assets or financial liabilities (including derivative instruments) at fair value through income statement.

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

The accounting policies have been consistently applied by Group’s entities and are consistent with those used in the previous year except for the application of the revised and new standards and interpretations effective as from 1 January 2007 described below. The application of those amendments and interpretations did not result in substantial changes to the Group’s accounting policies: IFRS 7, ‘Financial instruments: Disclosures’, and the

complementary amendment to IAS 1, ‘Presentation of financial statements – Capital disclosures’, introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group’s financial instruments.

IFRIC 8, ‘Scope of IFRS 2’, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the Group’s financial statements.

IFRIC 10, ‘Interim financial reporting and impairment’, prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the Group’s financial statements.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group’s operations:

- . IFRS 4, ‘Insurance contracts’;
- . IFRIC 7, ‘Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies’; and
- . IFRIC 9, ‘Re-assessment of embedded derivatives’.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

- . IAS 23 (Amendment), ‘Borrowing costs’ (effective from 1 January 2009). It requires an entity to capitalise borrowing





costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed.

. IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

. IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the Group's accounts.

. IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parents and Group companies. This interpretation does not have an impact on the Group's financial statements.

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

. IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations because none of the

Group's companies provide for public sector services.

. IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

## 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 one 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 Group controls another entity.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

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 minority interests

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent lia-



bilities acquired and hence for the goodwill associated with the acquisition.

The fair value of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking control over the entity, the interests previously held in that entity are revalued on the basis the fair values of the identifiable assets and liabilities at that date.

Subsequent purchases, after the Group has obtained control, are treated as the acquisition of shares from minority interests: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional portion of the interest acquired is recorded as goodwill.

For disposals of minority interests, differences between any proceeds received and the relevant share of minority interest are recorded in the income statement.

*(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 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 other venturers. 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**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

**2.4 Foreign currency translation**

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

Currency	Currency	31 December 2007		31 December 2006	
		Average	Closing	Average	Closing
<b>CZK</b>	Czech Koruna	0.03588	0.03757	0.03535	0.03637
<b>HUF</b>	Hungarian Forint	0.00398	0.00395	0.00380	0.00396
<b>HRK</b>	Croatian Kuna	0.13627	0.13652	0.13659	0.13615
<b>PLN</b>	Polish Zloty	0.26467	0.27917	0.25705	0.26101
<b>RUR</b>	Russian Ruble	0.02851	0.02783	0.02913	0.02882
<b>SKK</b>	Slovak Koruna	0.02957	0.02976	0.02691	0.02892
<b>USD</b>	US Dollars	0.72669	0.67893	0.77224	0.75740

*(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 consolidated financial statements are presented in euros (EUR), which

is the Company's functional and Group's presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing







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

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

#### *(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 are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

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

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

### *(b) Computer software*

Acquired computer software licences are capitalised 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 and carried at cost less accumulated impairment losses.

## 2.6 Investment property

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

Investment property comprises of freehold land, freehold buildings, extended stay residences, land held





under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the rest of 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 out 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 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 income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as 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 income statement.

The pieces of land on which are located buildings under construction that will qualify as investment property at completion of the construction are from the beginning separately classified as investment property and hence recorded at fair value. This includes all plots of land held by the Group on which no construction or development has started at the balance sheet date.

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive and the building permit granted. Therefore, the transfer of the land to property, plant and equipment or Inventories is recorded only when the building permit is granted.

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 and own-occupied buildings, fixtures and fittings, properties under development are classified as property, plant and equipment.

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

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

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

- |                         |               |
|-------------------------|---------------|
| • Land                  | Nil           |
| • Buildings             | 50 - 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 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 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 capitalised 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 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 properties in the balance sheet.

#### ii) Finance lease

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

and the present value of the receivable is recognized as unearned finance income.

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

## 2.9 Impairment of non-financial assets

Intangible assets including goodwill and trademark that have an indefinite useful life are not subject to systematic amortisation and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Assets that are subject to amortisation 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.

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

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

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised 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 realised within 12 months of the balance sheet date. The Group subscriptions in investment property closed end fund managed by the Group are categorised 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. They are initially recognized at fair value, and transaction costs are expensed in the income statement, and subsequently carried at fair value. Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

### 2.11 Inventories

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

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

### 2.15 Borrowings

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

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

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

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

### 2.16 Trade payables

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

### 2.17 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a





transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

#### *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 held by a Luxembourg-based company. 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. The Group is confident that all special purpose entities will comply with these conditions.

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

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

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

The Group has entered into defined benefit plans define as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or

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

### **2.19 Derivative financial instruments and hedging activities**

Derivatives are initially recognized in the 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 income statement under other financial results.

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





## 2.20 Revenue recognition

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

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

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

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

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

## 2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial state-

ments in the period in which the dividends are approved by the Company's shareholders.

## 2.22 Share option plans

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

## 2.23 Subscription rights and PACEO

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 financial statements.

## NOTE 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

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

Risk management is carried out by the Group's Chief Financial Officer (CFO) and his team under policies approved 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 provides 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 (see note 15)

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 Slovak Koruna (SKK), the US Dollars (USD), the Russian Rouble (RUR) and the Croatian Kuna (HRK). Foreign exchange risk arises from recognized monetary assets and liabilities and net investments in foreign operations. Loans, operating income and - except in the development activities - sales of buildings are denominated in euros (EUR). The Group does not hedge





systematically its foreign exchange risks. Salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are denominated in local currencies which does not generate any foreign exchange risks.

**(ii) Price risk**

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

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

**(b) Credit risk (see note 14)**

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.

**(c) Liquidity risk (see note 22)**

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.

**(d) Cash flow interest rate risk (see note 22)**

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has now started to mitigate 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.

### 3.2 Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The level of capital is managed in order to respect the Group strategy to maintain the loan to value 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 December 2007, the ratio has reached the level of 49% compared to 40% in 2006. The strong increase is mainly due to the acquisition of the GSG portfolio of assets that enjoys a loan to value ratio of 64%.

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 balance sheet. The Revaluation gains on projects and properties represents the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties.



	December 2007	December 2006
<b>Non current liabilities</b>		
Bonds	472 812	240 854
Financial debts	831 724	315 106
<b>Current liabilities</b>		
Financial debts	175 216	95 370
<b>Current assets</b>		
Current financial assets	-11 222	-20 451
Cash and cash equivalents	-257 977	-98 339
<b>Net debt</b>	<b>1 210 553</b>	<b>532 540</b>
Investment property	1 564 947	749 438
Hotels and own-occupied buildings	294 170	165 502
Properties under development	104 369	33 322
Financial assets	82 182	21 196
Inventories	323 699	248 884
Revaluation gains on projects and properties	101 610	103 422
<b>Fair value of portfolio</b>	<b>2 470 977</b>	<b>1 321 764</b>
<b>Loan to value</b>	<b>49,0%</b>	<b>40,3%</b>

### 3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through income statement) 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 nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.





**NOTE 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**4.1 Critical accounting estimates and assumptions**

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

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

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, 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. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

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, and 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.

*(b) 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 recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.17, the calculation of deferred tax on investment properties is not based on the fact that they will be realised 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.

*(c) Determination of remaining construction costs*

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 realisable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

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

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

The Management determines whether a property qualifies as investment property. In making its judgement, 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. Judgement 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 judgement.

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

## NOTE 5 SEGMENT REPORTING

### 5.1 Primary reporting format – business segments

The Group is organised on a European basis into four main segments determined in accordance with the type of activity:

- Renting: leased out residences, offices or retail buildings, property management and asset management and buildings under construction that are meant to be leased.
- Hotels and Residences: all the MaMaison Hotels and Apartments activities with extended stay hotels and small luxury hotels. This segment also includes the Suncani Hvar activities i.e. leisure hotels in Croatia.
- Development: development of projects meant to be disposed of unit by unit, the land bank and project management.
- Management services: property management, manage-

ment services to Group companies and asset management for the Endurance Fund.

In 2006, the business segments Extended Stay Hotels and Hotels were brought together into the business segment Hotels and Residences to better reflect the strategy and management structure.

Corporate expenses are allocated on the basis of the revenue realised by each activity. Segment assets consist primarily of tangible assets, inventory and receivables. Unallocated assets comprise deferred tax assets and cash and cash equivalents. Segment liabilities include operating liabilities. Unallocated liabilities are essentially the aggregate of litigation provisions, taxation liabilities and borrowings.



**As at 31 december 2007**

	Development	Hotels and Residences	Renting	Management services	Intersegment activities	<b>TOTAL</b>
<b>Revenues</b>	192 753	42 914	66 088	15 913	-18 439	<b>299 229</b>
Net gain from fair value adjustments on investment property	55 047	4 182	88 147	-	-	<b>147 376</b>
Other operating results	-192 523	-37 291	-49 036	-2 834	12 183	<b>-269 501</b>
<b>Operating result</b>	<b>55 277</b>	<b>9 805</b>	<b>105 199</b>	<b>13 079</b>	<b>-6 256</b>	<b>177 104</b>
Financial result						-73 859
<b>Profit before income taxes</b>						<b>103 245</b>
Income taxes						-2 341
<b>Net Profit</b>						<b>100 904</b>
Attributable to minority interests						-13 396
<b>Attributable to the group</b>						<b>87 508</b>
<b>Segment assets</b>	<b>977 403</b>	<b>264 684</b>	<b>1 254 164</b>	<b>5 317</b>	<b>4 694</b>	<b>2 506 262</b>
Unallocated assets						437 001
<b>Total assets</b>						<b>2 943 263</b>
<b>Segment liabilities</b>	<b>168 713</b>	<b>33 133</b>	<b>9 362</b>	<b>8 911</b>	<b>2 043</b>	<b>222 162</b>
Unallocated liabilities						2 721 101
<b>Total liabilities</b>						<b>2 943 263</b>
<b>Cash flow elements</b>						
Amortization, impairments and provisions	-6 949	-5 100	-4 008	-970		<b>-17 027</b>
Capital Expenditure	201 352	51 658	251 502	1 233		<b>505 745</b>



**As at 31 december 2006**

	Development	Hotels and Residences	Renting	Management services	Intersegment activities	<b>TOTAL</b>
<b>Revenues</b>	124 298	30 753	19 856	8 690	-10 689	<b>172 908</b>
Net gain from fair value adjustment on investment property	57 394	8 565	79 942			<b>145 901</b>
Other operating results	-137 436	-36 572	-17 008	-799	7 254	<b>-184 561</b>
<b>Operating result</b>	<b>44 256</b>	<b>2 746</b>	<b>82 790</b>	<b>7 891</b>	<b>-3 435</b>	<b>134 248</b>
Financial result						-11 324
<b>Profit before income taxes</b>						<b>122 924</b>
Income taxes						-25 069
<b>Net Profit</b>						<b>97 855</b>
Attributable to minority interests						-1 156
<b>Attributable to the group</b>						<b>96 699</b>
<b>Segment assets</b>	<b>624 147</b>	<b>272 184</b>	<b>397 929</b>		<b>-10 232</b>	<b>1 284 028</b>
Unallocated assets						196 326
<b>Total assets</b>						<b>1 480 354</b>
<b>Segment liabilities</b>	<b>144 299</b>	<b>8 990</b>	<b>17 987</b>		<b>-10 971</b>	<b>160 305</b>
Unallocated liabilities						1 320 049
<b>Total liabilities</b>						<b>1 480 354</b>
<b>Cash flow elements</b>						
Amortization, impairments and provisions	1 466	-4 279	-1 223	-39		<b>-4 075</b>
Capital Expenditure	94 925	64 345	183 157			<b>342 427</b>

**5.2 Secondary reporting format – geographical segments**

The Group's four business segments operate mainly in Central European countries among which most activities are presently generated in the Czech Republic, in

Germany, in Russia and in Poland. With the exception of these countries, no other individual country contributed more than 10% of consolidated sales or assets. The location of the customers is the same as the location of the assets except for the hospitality activity.



	December 2007	December 2006
Czech Republic	151 870	66 363
Germany	79 932	62 796
Russia	19 146	0
Poland	18 243	22 216
Croatia	12 271	9 676
Hungary	9 501	8 593
Slovakia	5 835	821
Luxembourg	16 886	8 807
Intersegment activities	-14 455	-6 364
<b>Revenue</b>	<b>299 229</b>	<b>172 908</b>
	December 2007	December 2006
Czech Republic	692 465	563 402
Germany	1 010 898	289 355
Russia	159 960	0
Poland	162 637	110 149
Croatia	144 793	102 463
Hungary	191 828	159 622
Slovakia	90 037	33 610
Luxembourg	65 281	46 861
Intersegment activities	-11 638	-8 921
<b>Segment assets</b>	<b>2 506 261</b>	<b>1 296 541</b>
Non allocated assets	437 002	183 815
<b>Total assets</b>	<b>2 943 263</b>	<b>1 480 356</b>





**NOTE 6 BUSINESS COMBINATIONS AND DISPOSALS**

In 2007, the Group has entered into three business combinations and has disposed of one significant Group of assets:

- GewerbeSiedlungs-Gesellschaft mbH (GSG) in June 2007
- Molcom, a logistic park located near Moscow in April 2007
- N W D C company sro a cabling company in November 2007
- Partial sale of the hotel portfolio end of November 2007

**ACQUISITION OF GSG**

After almost two years of negotiations, the Group acquired on 12 June 2007 the control of GewerbeSiedlungs-Gesellschaft mbH (GSG). This previously state owned company holds buildings totalling 800 thousand square meters of commercial and light industrial space in Berlin rented out to approximately 1 200 tenants. On the basis of independent valuation reports, the building portfolio and the brand have been fair valued at EUR 408 million and EUR 7 million respectively. Due to the size of GSG on the Berlin market and the new marketing strategy adopted, it has been determined that the brand has an indefinite useful life. This results in an increase compared to the book value before acquisition amounting to EUR 243 million less deferred tax liabilities amounting to EUR 98 million and the recognition of the brand for EUR 7 million. The carrying value of all other assets and liabilities is deemed to approximate their fair value.

The acquisition of the shares of GSG by Orco Germany SA (OG), a subsidiary of Orco Property Group SA (OPG), was governed by an agreement between Morgan Stanley Real Estate Fund V (MSREF V) - that co-financed the first steps of the acquisition of GSG.

While as of June 2007, the GSG shares are held by two companies indirectly held at 50% by OPG and 50% by MSREF V, their interest in OG has been built in two steps. First step has been completed by the issue of 3.5 million of shares entirely subscribed in cash by MSREF V for a total consideration of EUR 35 million. The second step was realised through a contribution in kind by MSREF V against the issue of 10.6 million new shares of Orco Germany (the non cash consideration in the following table). The fair value of the consideration given has been estimated at EUR 39 million as a reference to the cash payment to OPG for the acquisition of the first 50%.

As a result, OG indirectly holds 100% of the issued capital of GSG, the interest of OPG in OG decreased to 57% and MSREF V acquired an interest of 29% in OG.

As at 31 December 2007, GSG contributed to the consolidated revenues for EUR 19.7 million, to the operating

result for EUR 37.6 million and to the Group share in the net profit for EUR 25.3 million as a result of nine months of operation since its acquisition. If the acquisition had occurred on 1 January 2007, GSG would have contributed to the consolidated revenue for EUR 26.3 million.

The following table describes the calculation of the cash flow on acquisition, net of the cash and cash equivalents, acquired and the calculation of the goodwill on acquisition. The source of this goodwill is the obligation under IFRS to recognize deferred tax liabilities on the difference between the book values and market values on investment properties.

GSG	
Intangible assets	7 219
Tangible assets	411 470
Inventories	87
Trade receivables	4 572
Other current assets	7 676
Cash and cash equivalents	19 938
Non current financial liabilities	-68 862
Deferred tax liabilities	-98 844
Current payables	-5 701
Short term debts and provisions	-2 534
<b>Net equity acquired</b>	<b>-275 021</b>
Goodwill on acquisition	-39 255
<b>Acquisition price</b>	<b>-314 276</b>
Less cash acquired	19 938
Less non cash contribution	39 000
<b>Cash flow on acquisition net of cash acquired</b>	<b>-255 338</b>



### ACQUISITION OF MOLCOM

On 1 April 2007, the Group gained control over Molcom, a logistics park located at 15 km from the centre of Moscow, following the acquisition of 80% ownership interest. The current management has acquired 20% of the shareholding structure, ensuring the continuity of operating capacities. The project's total area amounts to 106 thousand sq m. This project also includes 4 hectares of land bank that will ensure potential future development in the dynamic logistics and light industrial sector of Russia. On the basis of an independent valuation report (established by DTZ), the building portfolio and land bank have been fair valued at EUR 94.4 million. This results in an increase compared to the book value before acquisition amounting to EUR 90 million less deferred tax liabilities amounting to EUR 21.4 million. The carrying value of all other assets and liabilities is deemed to approximate their fair value.

The purchase accounting has been determined on a provisional basis and will be completed in 2008.

As described in note 19 on minority interests' transactions, the Group sold a further 10% share in the shareholding structure of Molcom to the current management. The transaction took place at the same price than the acquisition.

As at 31 December 2007, Molcom contributed to the consolidated revenues for EUR 17.0 million, to the operating result for EUR 8.2 million and to the Group share in the net profit for EUR 5.7 million as a result of nine months of operation since its acquisition. The operating and net profit contributions include the negative goodwill on acquisition amounting to EUR 3.2 million.

If the acquisition had occurred on 1 January 2007, Molcom would have contributed to the consolidated revenue for EUR 22.7 million, to the operating result for EUR 6.7 million and to the Group share in the net profit for EUR 3.3 million. These contributions do not include the negative goodwill on acquisition.

The following table describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired.

<b>MOLCOM</b>	
Intangible assets	41
Tangible assets	97 326
Inventories	863
Trade receivables	985
Other current assets	282
Cash and cash equivalents	7 523
Provisions	-653
Deferred tax liabilities	-21 393
Current payables	-1 293
<b>Net equity acquired</b>	<b>-83 681</b>
Negative goodwill on acquisition	3 207
<b>Acquisition price</b>	<b>-80 474</b>
Less cash acquired	7 523
<b>Cash flow on acquisition net of cash acquired</b>	<b>-72 951</b>

### ACQUISITION OF NWDC

In the fourth quarter of 2007, the Group acquired 51% (with an option to acquire the remaining shares at the same price if the business plan is achieved) for a total cash consideration of CZK 16 million. This company is specialized in production, design and installation of electrical components and machinery for large real estate developments. As at December 2007, NWDC only contributes to the balance sheet. The carrying amount of all assets and liabilities is deemed to approximate their fair value.

The following table describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired.

NWDC	
Tangible assets	31
Inventories	12
Trade receivables	1 782
Other current assets	444
Cash and cash equivalents	92
Financial liabilities	-72
Current payables	-2 077
<b>Net equity acquired</b>	<b>-212</b>
Goodwill on acquisition	-963
<b>Acquisition price</b>	<b>-1 175</b>
Less cash acquired	92
<b>Cash flow on acquisition net of cash acquired</b>	<b>-1 083</b>

### PARTIAL SALE HOTEL PORTFOLIO

At the end of November 2007 the Group established a 50% partnership with AIG. The Group brought in the joint-venture the operations and real estate properties of the following hotels and residences: the Marriott Court Place and the Riverside hotel in Prague, the Imperial hotel in Otrava, the Sulekova residence in Bratislava, the Izabella Residence and the Andrassy and Starlight hotels in Budapest, the Regina Hotel in Warsaw and finally the newly opened Prokovka Suite Hotel in Moscow. As at December 2007, those activities contribute to the balance sheet for 50% while they contribute for 100% to the whole year Group revenues and operating results.

The following table describes the calculation of the cash flow on sale net of the cash and cash equivalents sold.

HOSPITALITY INVEST	
Intangible assets	-304
Tangible assets	-64 034
Deferred tax assets	-719
Inventories	-129
Trade receivables	-1 631
Other current assets	-2 405
Cash and cash equivalents	-2 494
Non current financial liabilities	38 563
Deferred tax liabilities	2 856
Current payables	1 201
Short term debts and provisions	2 262
<b>Net equity sold</b>	<b>26 834</b>
Gain on sale	18 579
<b>Selling price</b>	<b>45 413</b>
Less cash sold	-2 494
<b>Cash flow on acquisition net of cash acquired</b>	<b>42 919</b>





### ACQUISITION IN 2006 OF VITERRA DEVELOPMENT

As at 23 June 2006 the Group directly acquired Viterra Development Polska and, through Orco Germany (a 80% fully consolidated subsidiary), Viterra Development GmbH and Viterra Baupartner GmbH. Those companies and their subsidiaries are referred to as Viterra in this report. Viterra is active in Germany, Poland and the Czech Republic. The development and building portfolio has been fair valued on the basis of an independent valuation report (established by DTZ Debenham).

As part of the transaction, the Group also acquired for a total cash consideration of EUR 13 million two buildings whose property has only been transferred in August with some cash flow adjustment mechanisms bringing the final acquisition price to EUR 14 million.

The following table details the fair value of the assets, liabilities and contingent liabilities acquired and describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired:

VITERRA	
Tangible assets	31 874
Financial assets	1 885
Deferred tax assets	1 290
Inventories	98 709
Trade receivables	35 885
Other current assets	14 631
Cash and cash equivalents	28 961
Provisions	-11 875
Deferred tax liabilities	-4 665
Payables	-34 485
Short term debts and provisions	-40 107
<b>Net equity acquired</b>	<b>-122 103</b>
Negative goodwill on acquisitions	23 255
<b>Acquisition price</b>	<b>-98 848</b>
Less cash acquired	28 961
<b>Cash flow on acquisition net of cash acquired</b>	<b>-69 887</b>

In aggregate, the acquired business contributed revenues of EUR 83.2 million and net profit of EUR 0.7 million to the Group for the period from the acquisition date to 31 December 2006. The Group is not able to disclose the information relating to revenue and profit which would have been generated by the Group for the year ended 31 December 2006 if the acquisition had occurred on 1 January 2006 due to the absence of Viterra Development activities sub-consolidated information prior to the acquisition.



### ACQUISITION IN 2006 OF STEIN BREWERIES

At the end of December 2006, the Group closed a transaction to acquire in Slovakia the Stein companies. These companies comprise one holding company with an industrial building complex which has been recognized at its fair value (and as such disclosed as an acquisition in note 8 Investment property under the caption Freehold buildings for EUR 21.6 million) and two subsidiaries running the brewery and distribution activities that are accounted for as business acquisitions. Since the objective of the Group is the conversion of the old industrial building complex, the

brewery and distribution activities are meant to be sold in 2007.

As at December 2006, these acquisitions only contribute to the balance sheet and the specific lines of held for sale activities for the brewery and beer distribution activities.

End of 2007, the Group sold the brewery business and recognized a net loss (as an impairment on receivables) amounting to EUR 1.0 million.

The following table details the fair value of the assets, liabilities and contingent liabilities acquired and describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired:

### STEIN ACQUISITION

Acquired activities	Brewery & distribution	Investment property	Total
Tangible assets	169	21 902	22 071
Inventories	476	-	476
Trade receivables	1 060	86	1 146
Other current assets	12	10	22
Cash and cash equivalents	564	11	575
Long term debts	-2 751	-514	-3 265
Deferred tax liabilities	-	-2 230	-2 230
Payables	-602	-273	-875
Short term debts and provisions	-595	-	-595
<b>Net equity acquired</b>	<b>1 667</b>	<b>-18 992</b>	<b>-17 325</b>
Goodwill on acquisitions			0
<b>Acquisition price</b>			<b>-17 325</b>
Less cash acquired			575
<b>Cash flow on acquisition net of cash acquired</b>			<b>-16 750</b>

### NOTE 7 INTANGIBLE ASSETS

The intangible assets of EUR 67.0 million (EUR 1.5 million in 2006) include mainly the GSG trademark recognized as part of the business acquisition accounting (EUR 7.2 million) and the goodwill on acquisitions (EUR 57.2 million

compared to EUR 0.1 million in 2006). The increase in goodwill is mainly due to the acquisition of GSG (EUR 39.3 million).



**NOTE 8 INVESTMENT PROPERTY**

Investment property	Buildings under finance lease	Freehold buildings	Land	Extended stay hotels	Land bank	Total
<b>Balance at 31 December 2005</b>	<b>1 510</b>	<b>216 169</b>	<b>8 600</b>	<b>67 419</b>	<b>67 495</b>	<b>361 193</b>
Scope movements	-	20 937	-	-	10 500	31 437
Investments / acquisitions	-	166 615	30 855	-	72 565	270 035
Revaluation through income statement	-135	66 709	8 545	-880	48 408	122 646
Revaluation through equity	-	801	-	-	-	801
Asset sale	-	-2 919	-	-	-	-2 919
Transfer	-	-486	17 400	-7 837	-49 988	-40 911
Translation differences	-	1 839	-	0	5 317	7 156
<b>Balance at 31 December 2006</b>	<b>1 375</b>	<b>469 666</b>	<b>65 400</b>	<b>58 701</b>	<b>154 296</b>	<b>749 438</b>
Scope movements	-	406 172	-	-	2 305	408 477
Partial sale	-	-4 510	-	-3 267	-	-7 777
Investments / acquisitions	60	239 630	-	84	164 756	404 530
Revaluation through income statement	155	97 890	2 584	4 182	39 352	144 163
Asset sale	-	-32 798	-	-	-	-32 798
Transfer	-	-119 033	-14 147	-	22 107	-111 073
Translation differences	-	3 419	625	-133	6 076	9 987
<b>Balance at 31 December 2007</b>	<b>1 590</b>	<b>1 060 436</b>	<b>54 462</b>	<b>59 567</b>	<b>388 892</b>	<b>1 564 947</b>

*Variations in 2007*

The scope movements refer principally to GSG's (Gewerbesiedlungs-Gesellschaft mbH) buildings acquired by Orco Germany SA (see note 6 on business combinations) and plots of land owned by Molcom, a logistics company acquired in Russia. End of 2007, the Group sold 50% of its hotel portfolio to AIG among which the Starlight Suite Hotel (EUR - 4.5 million) and the Residence Izabella (EUR - 3.3 million). The decrease reflects the change in consolidation methodology from global consolidation to proportionate and of such the exit of the 50% of the assets (see note 32 on joint ventures).

During the period, the Group has invested EUR 404.5 million mainly in the following projects :

- **Freehold buildings:**

- Germany: various residential and office buildings among which Gebauer Höfe (EUR 42.9 million), Reinhardtstrasse (EUR 9.5 million), Apple Tree (EUR 9.5 million),

- Pappelallee (EUR 5.2 million), Tucholskystrasse (EUR 2.5 million) and Boxhagenerstrasse (EUR 2.3 million).

- Czech Republic: Mostecka residential building (EUR 22.5 million), Hradcanska (EUR 21.2 million), Hlubocky (EUR 10.0 million), Stribro (EUR 6.9 million) and Jeremiasova (EUR 3.1 million).

- Luxembourg: total investment reaches EUR 31.2 million among which EUR 27.5 million are reported as freehold buildings let to first class tenants and the rest, 12%, are dedicated to Group's new headquarters and are classified in owner occupied.

- Slovakia: City Gate (EUR 21.0 million), Dunaj (EUR 18.9 million) and Hotel Kohal in Kosice (EUR 4.2 million).

- Hungary: Szervita Square (EUR 8.8 million).

- Poland: Marki (EUR 7.1 million).

- **Land bank :**

- Germany: Wertheim in the centre of Berlin (EUR 78.9 million), Elb Loft Bau in Hamburg (EUR 2.0 million).

- Russia: Otrada for potential development of residential





buildings on 10.0ha plot (EUR 41.3 million).

– Poland: Szosa Polska, a 7.3ha parcel in Szczecin (EUR 7.7 million) and Przy Parku, plot located in Warsaw (EUR 5.6 million).

– Hungary: Origo Film Studios (EUR 9.2 million).

– Czech Republic: U Hranic (EUR 2.8 million), Vavrenova (EUR 2.4 million), Rudna III (EUR 2.1 million), Hradec Kralove Plachta jih (EUR 1.6 million) and Bezecka (EUR 1.2 million).

During the period the sales of apartments in Prague in the Zahrebska, Masaryk, Belgicka 36, Londynska 26 and Letenska buildings amount to EUR 4.0 million. In Germany, the Pier Eins building in Duisburg (EUR 24.6 million) and the Singer Strasse 109 (EUR 4.3 million) were sold. The sales net result amounts to EUR 2.3 million as reported in the Profit and Loss statement.

In the freehold buildings and land categories, the Budapest Stock Exchange, the Paris Department Store, the Riverside II and Na Porici have been transferred to properties under development after the obtention of the construction permit and to Land where it is fair valued. Since the Berlin's headquarter moved to Ku Damm 103, the building is as of now classified as own occupied buildings under IAS16.

End of December the Lubarser Str, GSG building, was devastated by a fire. The fair value has been decreased by the indemnity to be received from the insurance company. As a result, EUR 2.3 million were transferred of from investment properties to receivables as reported.

In the land bank caption, since the development projects did not start, some plots of land moved from inventories among which H2 Office in Duisburg and Drawska in Warsaw.

The total revaluation of investment properties amounts to EUR 144.2 million. This amount does not include the negative goodwill of EUR 3.2 million on the first consolidation of Molcom which is recognised on the same line in the income statement.

#### Additional information on the main acquisitions :

• Orco Germany SA acquired GSG. Including liabilities, the fair value of the buildings acquisition price amounts to EUR 408 million. With about 800,000 sq m commercial and light industrial space and 1.200 tenants GSG is the biggest provider of commercial property in the German capital. This transaction reinforces Orco's position in Germany and particularly on the Berlin market as a top player.

• Gebauer Höfe is located in the inner city district of Charlottenburg-Wilmersdorf, approximately five kilometres west from the centre of Berlin. The Property, situated in a popular area for businesses, is located on the south bank

of the River Spree with various underground stations located approximately one kilometre from the Property and several bus routes passing by on roads close to the Property. The Property consists of a variety of different styles, with a mixture of recently constructed office buildings to converted old warehouse buildings. The buildings that front onto the road are mostly retail on the ground floor with offices above. To the rear of the building is an old warehouse, which has been converted to hold a bike shop and coffee shop. An underground car park is accessible via the rear courtyard and is located under one of the newer office buildings.

• Kings Court on Mostecka street is located approximately 150 m west of Charles Bridge and in close proximity to Malostranske Square. Surrounding buildings typically comprise retail and restaurant uses on ground floor and residential or hotel premises above. Access to the subject site is possible via car and public transport. A number of tramlines have a stop on Malostranske Square. According to the existing planning situation the Property can be reconstructed into a luxurious residential property.

• Hradcanska: the Property is located on Milady Horákové, a busy radial road with numerous tramlines having stops in front of the property and a metro A station with its entrance directly underneath the property. Visibility of and access to the property is very good although parking is very limited. The Property was built between 1987 and 1989 and comprises of ca. 17,700 sq m of gross external areas of primarily office space and some retail units on the ground floor. The building was constructed around a concrete frame under a flat roof. It has a stone clad façade and characteristic glazed features. The project foresees a basic refurbishment of the office and retail premises to upgrade them to a good grade B specification.

• Hlubocky: the Property comprises of an existing industrial complex and a new logistics building currently being developed. The Property is located in Hlubocky u Olomouc, ca. 9 km from the city of Olomouc, and is in the vicinity of a small, principally residential area, although the immediate vicinity of the Property contains a number of existing warehouse buildings which form an 'out-of-town' industrial park. The industrial area containing the Property is situated directly off of the Olomoucká road running through the town, which ultimately joins the much larger 635 and R35 highway. This larger road network provides access to Ostrava to the East, and also Brno and Prague to the West via the D1. The existing building is currently occupied by a single tenant, MORA Aerospace, who has a lease for the entire building space, due to expire in Q3 2013.

• Orco House, building located at Capellen in the Grand-Duchy of Luxembourg, is the first important investment on





the Luxembourg real estate market. The building develops 7,721 sq m and 324 parking bays. Save 926 sq m, the building is entirely let to first class tenants. Part of it will be used by Orco Property Group as headquarters. The Group is thus now having its seat at 40 Rue Pafebrüch, L-8308 Capellen.

- City Gate project relates to the former VUB Bank building located in Bratislava. On the ground floors, Orco plans to develop a modern shopping centre and exclusive restaurant. The second floor will be dedicated to A-class offices. The remaining floors will be used for residential units and luxury apartments. The reconstruction is scheduled for completion at the end of 2008.

- The two interconnected buildings, Dunaj1 and Dunaj2, incorporate circa 10,000 sq m of shopping space and storage area. Orco plans to develop a modern shopping centre and, in the upper floors, high quality office space. Orco is already under negotiations with a number of potential tenants. The future retail and office tenants mix will represent some well-known brands and companies, as yet unseen in the Slovak capital city.

- Szervita Square, situated in the 5th district of Budapest, in the CBD, comprises of an office building on two individual plots and a car park building. The office building was built in 1973 and comprises of ten floors totalling 6,006 sq m of office space. The office building is already vacant. The car park comprises of a building of 12,694 sq m, built in 1973. The building consists of 9 floors, providing 342 parking lots and 380 sq m of office space. The building also incorporates a petrol station, a car rental, a travel agency and a car showroom. The Group intends to demolish the building and the neighbouring office building and re-develop both properties to provide a state of the art office and parking facility comprising retail units on the ground floor and on the 1st floor, offices on 12 upper floors and a car park on four underground levels, totalling 3,457 sq m of retail, 8,643 sq m of office space and 554 parking lots.

- Marki: located in the eastern suburbs of Warsaw, the subject Property comprises of a production/warehouse building constructed in 1970's providing 33,797 sq m of rentable area, as well as development land currently build up with some buildings designated for demolition. The main building is subject to three leases and part of it remains vacant. The building in general represents poor condition and standard of finishes, only office accommodation was refurbished some time ago and represents fair standard. In respect of vacant space we have incorporated refurbishment costs at the level of EUR 1,521,000, which need to be incurred prior to letting the space.

- Orco Germany has acquired the site in the centre of

Berlin that used to be the Wertheim complex. What was once the Wertheim complex and is not being used at present is the last site available for development in the new "Mitte" of Berlin. The new "Mitte" is considered to be the top address for national and international companies and customers. The Sony Center, the DaimlerChrysler quarter and the Beisheim Center are right next to Leipziger Platz. The acquisition price per constructible square meter is 20% lower than recent transactions in the area. This new development will fill the most important gap between the centres of East and West Berlin. With a land area of more than 22 000 sq m, the project will be carried out directly on Leipziger Platz right next to Potsdamer Platz. Viterra Development, a subsidiary of ORCO Germany, will be responsible for the project management. The planned area of 88 000 sq m enables varied use to be made of office and retail space as well as residential units and hotels.

- Otrada, a wide ranging residential project near Moscow will be developed in four phases. Otrada Phase 1 includes 14 luxury villas of 3 960 sq m gross buildable area. In addition Otrada has a large reserve, stretching over several hectares, that binds an intention of building luxury low-rise apartment buildings (Phase 2).

- Szosa Polska: a 7.3ha parcel in Szczecin to be developed with 41,834 sq m sellable area of affordable housing situated in buildings with 3 or 4 storeys plus proposed approximately 2,000 sq m of retail rentable area. The project will be designed by Swedish Architect 'White'. The concept will be developed using as much sustainable principles. The project will bring something new to the Polish market in terms of the product and the way it will be constructed. We are focused on construction with pre-fabrication and using new renewable materials such as timber. The product will be energy efficient and socially sustainable.

- Przy Parku is a development site, located in Ochota district of Warsaw, designated for multifamily residential scheme comprising 4,247 sq m sellable area (58 apartments) and basement car parking providing 64 places. The 3 storey buildings will represent high standard of finishes and will incorporate intelligent and energy saving solutions.

- Origo Film Studio: the Property is located in the 15th District of Budapest, at the edge of the City, approximately 12 km Northeast of the Downtown of Budapest, in the vicinity of the Northern section of M10 Motorway. The Property is a rectangular shaped, vacant, former agricultural land, comprising 175,941 sq m. The new regulatory plan will be accepted soon. Orco plans to erect a film studio complex comprising several buildings totalling 42,000 sq m. There is a signed 15-years lease contract for the film studio with gradually increasing rent which reaches EUR 4.12 million from the third year after completion.



**LIST OF MAJOR INVESTMENT PROPERTIES**
**FREEHOLD BUILDINGS**

	<b>2006</b>	<b>Fair Value</b>	<b>2007</b>	<b>Fair Value</b>
	<b>Revaluation</b>	<b>31.12.06</b>	<b>Revaluation</b>	<b>31.12.07</b>
<b>GERMANY</b>				
GSG	-	-	28 182	434 300
Cumberland Haus	4 875	44 400	16 196	61 660
Franklinstraße 15	-	-	4 819	47 720
Wasserstrasse	-	-	4 545	10 580
Max Planck Strasse	-	10 140	1 559	11 970
Kurfurstendamm 102	-	-	1 473	9 810
Immanuelkirchstrasse 3-4	204	11 000	1 260	12 400
John Schehr Str 64	-	-	538	2 310
Reinhardtstrasse 18	-	-	523	9 210
Breite Str 15	161	1 700	427	2 460
Pappelallee 3-4	-	-	418	5 680
H2 Office	-	3 250	384	3 910
Prenzlauer Allee 195	-	-	302	2 140
Zionkirchstrasse 7	-28	1 800	293	2 280
Boxhagener Str 106	-	-	142	2 410
Wupperstrasse 9	-	-	15	5 020
Danziger Str 73 77	1 419	6 500	-93	7 105
Brunnenstrasse 25	3	2 217	-203	2 140
Kollwitzstrasse 71	198	2 230	-211	2 560
Tucholskystrasse 39	-	-	-242	2 260
Brunnenstraße 156 & Invalidenstraße 112	-	-	-420	9 050
<b>CZECH REPUBLIC</b>				
Na Porici *	8 433	43 440	5 513	-
Stribro	-	-	2 270	9 200
Hlubocky	-	-	2 047	12 930
Luxembourg Plaza	7 920	28 800	2 040	31 550
Brno Shopping Centre	350	5 600	1 011	6 930
Londynska 41	484	5 490	882	6 380
Kazacka 2 Londynska 39		7 450	801	8 170
Hradcanska	-	-	774	22 000
Anglicka 26	200	5 900	340	6 280
Nad Petruskou 8	500	3 800	280	4 080
Manesova 28	430	5 730	155	5 900
Belgicka 36 - Na Kozacce	1 901	8 659	78	8 440
Bubenska	9 491	37 212	-255	37 186
Mostecka	-	-	-332	22 320

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<b>FREEHOLD BUILDINGS</b>	<b>2006</b>	<b>Fair Value</b>	<b>2007</b>	<b>Fair Value</b>
	<b>Revaluation</b>	<b>31.12.06</b>	<b>Revaluation</b>	<b>31.12.07</b>
<b>SLOVAKIA</b>				
City Gate	-	-	3 836	26 230
Pivovar Stein	-	21 620	-453	22 150
Dunaj	-	-	455	19 500
Kohal	-	-	639	5 100
<b>HUNGARY</b>				
Headquarters of Budapest Bank	2 520	34 350	3 643	38 000
Paris Department Store *	1 511	12 500	2 549	-
Budapest Stock Exchange *	7 800	37 800	-	-
Szervita Square	1 470	9 200	819	18 800
Budapest Bank	1 200	4 950	1 472	6 420
CIB Bank Budapest	-	6 710	1 224	8 000
Starlight Suite Hotel (50% sold to AIG)	5 000	8 600	384	4 492
Revay Office	427	4 520	-226	4 340
<b>POLAND</b>				
Marki	-	-	677	7 750
<b>LUXEMBOURG</b>				
Orco House	-	-	-	27 500
<b>OTHER</b>				
	10 240	94 098	7 360	43 813
<b>TOTAL FREEHOLD BUILDINGS :</b>	<b>66 709</b>	<b>469 666</b>	<b>97 890</b>	<b>1 060 436</b>

\* Consistes in transfer between categories



<b>LAND AND LAND BANK</b>	<b>2006</b>	<b>Fair Value</b>	<b>2007</b>	<b>Fair Value</b>
	<b>Revaluation</b>	<b>31.12.06</b>	<b>Revaluation</b>	<b>31.12.07</b>
<b>CZECH REPUBLIC</b>				
Bubny	34 549	80 000	7 963	95 000
Praga	5 948	9 027	4 539	15 180
Benice	2 586	24 340	3 562	29 000
Hradec Kralové Plachta Jih	-	-	3 161	4 980
Mezihori	-	-	2 191	2 850
Vavrenova	-	-	1 098	3 400
Slunecny vrsek Phase 3	-	2 946	481	3 883
Doupovska	1 761	3 500	357	4 000
Bellvue Grand	-1 066	3 275	109	4 110
Pivovar Vrchlaby	22	2 400	2	2 500
Na Porici *	-	-	-2 558	16 714
Radio Free Europe Hagibor	-	17 400	-4 584	12 700
<b>GERMANY</b>				
Leipziger Platz	-	-	19 544	98 520
Helberger	-	17 725	885	19 840
<b>RUSSIA</b>				
Otrada	-	-	-	41 270
Hotel Pokrowka	8 348	17 040	-	-
<b>POLAND</b>				
Szosa Polska	-	-	947	9 200
Przy Parku	-	-	-43	5 900
Jozefoslaw	1 033	10 587	-257	12 200
<b>HUNGARY</b>				
Origo Film Studios	-	-	883	10 000
Paris Department Store *	-	-	55	7 200
Budapest Stock Exchange *	-	-	1 880	18 000
<b>OTHER</b>				
	3 772	31 456	1 721	26 907
<b>TOTAL LAND AND LAND BANK:</b>	<b>56 953</b>	<b>219 696</b>	<b>41 936</b>	<b>443 354</b>
Buildingq under finance lease :	-135	1 375	155	1 590
Extended stay hotels	-800	58 701	4 182	59 567
<b>TOTAL</b>	<b>122 646</b>	<b>749 438</b>	<b>144 163</b>	<b>1 564 947</b>





**NOTE 9 HOTELS AND OWN-OCCUPIED BUILDINGS**

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
<b>GROSS AMOUNT</b>				
<b>Balance at 1 January 2006</b>	<b>7 320</b>	<b>3 607</b>	<b>117 443</b>	<b>128 370</b>
Scope variation	64	-	-	64
Investments / acquisitions	342	-	15 071	15 413
Disposal	-	-	-	-
Transfer and other movements	238	-	23 051	23 289
Translation differences	301	245	2 222	2 768
<b>Balance at 31 December 2006</b>	<b>8 265</b>	<b>3 852</b>	<b>157 788</b>	<b>169 905</b>
Scope variation	94 548 (a)	-	-	94 548
Partial sale Hotel portfolio to AIG ( b )	-	-1 967	-48 329	-50 296
Investments / acquisitions	7 619 (c)	-	38 318 (e)	45 937
Disposal	-12	-	-	-12
Transfer and other movements	5 337 (d)	-	36 825 (f)	42 162
Translation differences	-3 327	70	624	-2 633
<b>Balance at 31 December 2007</b>	<b>112 430</b>	<b>1 955</b>	<b>185 226</b>	<b>299 611</b>
<b>AMORTIZATION</b>				
<b>Balance at 1 January 2006</b>	<b>507</b>	<b>99</b>	<b>1 730</b>	<b>2 336</b>
Allowance	191	88	2 141	2 421
Reversal of impairment	-105	-	-	-105
Transfer and other movements	-150	-	-192	-342
Translation differences	25	16	52	93
<b>Balance at 31 December 2006</b>	<b>468</b>	<b>203</b>	<b>3 731</b>	<b>4 402</b>
Partial sale Hotel portfolio to AIG	-	-108	-1 046	-1 154
Allowance	488	7	801	1 296
Transfer and other movements	5	-	845	850
Translation differences	-10	5	52	47
<b>Balance at 31 December 2007</b>	<b>951</b>	<b>107</b>	<b>4 383</b>	<b>5 441</b>
<b>NET AMOUNT AT 31 December 2007</b>	<b>111 479</b>	<b>1 848</b>	<b>180 843</b>	<b>294 170</b>
<b>Net amount at 31 December 2006</b>	<b>7 797</b>	<b>3 648</b>	<b>154 057</b>	<b>165 502</b>

## • In 2007

The scope movement<sup>(a)</sup> refers mostly to the acquisition of Molcom (EUR 92.1 million), a logistics company acquired in Russia (please refer to note 6 for more information detailing this business combination) and to GSG's head-

quarters acquired by Orco Germany S.A. for EUR 2.4 million.

End of November 2007, the Group sold 50% of its hotel portfolio to AIG<sup>(b)</sup>. The decrease (EUR - 49.1 million) reflects the change in the consolidation methodology



from global consolidation to proportionate one and as such the exit of the 50% of the assets (see note 32 on joint venture).

The Group acquired the Orco House building<sup>(c1)</sup> in the Grand-Duchy of Luxembourg, of which 12% (EUR 3.7 million) are used as Orco Property Group's headquarters. Consequently, the former headquarters have been reclassified to investment properties (EUR - 1.9 million)<sup>(d1)</sup>.

In the same way, the Kurfürstendamm 103 has become the Berlin's headquarters and as reported, EUR 3.5 million<sup>(c2)</sup> was invested during the year and EUR 7.2 million<sup>(d2)</sup> were transferred from investment properties to own occupied.

During 2007, the hotels<sup>(e)</sup> Adriana (EUR 12.4 million) and Amfora (EUR 25.0 million), both located on Hvar island in Croatia, have opened after global refurbishment. The last phase of refurbishment works of Amfora Hotel is to be completed during the winter season 2007 / 2008.

Since the Pokrovka Hotel in Moscow (f) was opened on

September (EUR 32.4 million), the building was transferred from property under construction to this caption.

• **In 2006**

In 2006, the investments relate principally to the refurbishment of Amfora and Riva Hotels on the Hvar island in Croatia. In the south of Poland, the Group acquired the Park Hotel Vienna built in Bielsko Biala alongside the Beskidy Mountains.

The transfer relates to the Marriott Courtyard in Prague that entered into operations in the Luxembourg Plaza. The developed building has been transferred from properties under development.

The prepaid operating leases relate to one building serving as an extended stay hotel in Bratislava that was acquired in 2004 (with a remaining term of the lease of 26 years) and to the land on which the Regina hotel and Diana Residence are located (with a remaining term of the lease of 84 years).

**NOTE 10** **FIXTURES AND FITTINGS**

	Gross amount	Amortization	NET AMOUNT
<b>At 1 January 2006</b>	<b>12 783</b>	<b>-5 386</b>	<b>7 397</b>
Increase	12 973	-5 153	7 820
Assets sales	-2 053	1 519	-534
Transfer	-636	643	7
Translation difference	554	-208	346
<b>At 31 December 2006</b>	<b>23 621</b>	<b>-8 585</b>	<b>15 036</b>
Scope variation	4 069	-	4 069
Increase	14 578	-6 372	8 206
Assets sales	-3 159	2 078	-1 081
Change to proportional consolidation	-8 542	3 727	-4 815
Transfer	-282	-232	-514
Translation difference	395	-260	135
<b>At 31 December 2007</b>	<b>30 680</b>	<b>-9 644</b>	<b>21 036</b>

In 2007, scope movements of fixtures and fittings mainly refer to the acquisition of the logistics company Molcom in Russia (EUR 2.8 million) and to the acquisition of GSG in Germany (EUR 1.2 million).

Main increases are due to investments made on the Hvar Island in Croatia, principally for the hotels Amfora, Adriana and Riva (EUR 2.3 million), and to investments done by the hotel Pokrovka in Russia (EUR 2.2 million) and Andrassy Hotel in Hungary (EUR 0.5 million). The Group's mother company, Orco Property Group S.A., also made some investments (EUR 1.1 million).

Change to proportional consolidation represents the impact of the joint-venture made with AIG (sale of 50% of the shares of Hospitality Invest S.à r.l). Please refer to note 6 for further details concerning this transaction.

In 2006, the main investments were realised on the Hvar island (EUR 3.0 million), in Prague for the hotel Lucemburska Marriott (EUR 2.2 million) and in Poland with the acquisition of Park Hotel Vienna (EUR 1.7 million). The same year, most sales of fixtures and fittings were realised by Suncani Hvar hotels (EUR 1.3 million).



**NOTE 11 PROPERTIES UNDER DEVELOPMENT**

The caption Properties under development also includes advance payments for EUR 5.1 million (2006 EUR 5.2 million). These advance payments essentially relate to the

acquisition of various projects in Czech Republic. The rest represents the buildings under construction that have known the following evolution :

	December 2007	December 2006
<b>Opening Balance</b>	<b>28 159</b>	<b>21 601</b>
New projects and work in progress	40 700	44 006
Finalized projects	-18 476	-39 927
Transfer and other movements	46 690	1 107
Translation differences	2 125	1 372
<b>Total</b>	<b>99 198</b>	<b>28 159</b>

In 2007, the work in progress represents several investments made during the year for the following projects :

- Radio Free Europe (EUR 16.8 million) and Na Porici (EUR 2.0 million), located in Prague;
- Sky Office (commercial development in Düsseldorf), for EUR 10.4 million;
- Budapest Stock Exchange (EUR 2.1million) and Paris Department Store (EUR 2.0 million), both located in Budapest;
- Pokrovka Hotel (EUR 2.7 million) in Moscow;
- Peugeot (EUR 1.2 million) in Warsaw.

After its finalization, the Pokrovka hotel has been transferred in Hotels and own occupied buildings (EUR 15.4 million). Refurbishment of Amphora and Adriana hotels in Hvar Island (Croatia) has been finished, and reclassified in Hotels and own occupied buildings (EUR 3.1 million).

Transfers and other movements represent several reclassifications of projects, among which :

- Sky Office, in Germany, reclassified from Properties under

- development to Inventories (EUR - 10.4 million);
- Na Porici (office development in Prague, Czech Republic), reclassified from Investment properties to Properties under development (EUR 30.3 million);
- Budapest Stock Exchange and Paris Department Store in Hungary, reclassified from Investment properties to Properties under development (respectively EUR 21.7 million and EUR 8.1 million).

In 2006, the work in progress represents the investments in the hotels on the Hvar island before the start of the summer season (EUR 13.2 million), the finalization of the Luxembourg Plaza Building (EUR 9.2 million), the construction started in the second half of 2006 of the new Radio Free Europe headquarters in Prague (EUR 2.9 million) and the extension of MaMaison Hotels & apartments' activities in Russia with the Pokrovka project (EUR 12.2 million). After its finalization the Luxembourg Plaza building was transferred in investment properties for the offices for rent part (EUR 11.3 million) and, in Hotels and own occupied buildings for the hotel part (EUR 18.4 million).

**NOTE 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L**

This line mainly includes the non eliminated portions of the equity loans granted to joint-ventures for EUR 41.6 million (EUR 4.4 million in 2006) out of which EUR 40.3 million correspond to 50% of the loan granted to the hospitality joint-venture with AIG and the fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 33.4 million (EUR 14.2 million in 2006).

As at December 2007, the Endurance fund managed by the Group (see note 30) had been divided in two spe-

cialised sub-funds. One is investing in office investment properties and the second is investing in residential developments and properties. In conformity with IAS39, these investments are accounted for at their fair value with variations going through the income statement. The change in fair value recorded in 2007 amounts to EUR 2.5 million (EUR 0.7 million in 2006). The fund prepares consolidated financial statements as at 30 September each year and interim consolidated financial statements as at 31 March.



**NOTE 13 INVENTORIES**

	December 2007	December 2006
<b>Opening balance</b>	<b>248 884</b>	<b>55 637</b>
Acquisition of Viterra	-	98 067
Acquisition of Molcom	953	-
Sky Office transfer from property under construction	41 300	-
Transfer to investment property	-10 802	55 808
Net impairments	-5 879	2 563
Other variations	49 243	36 808
<b>Total</b>	<b>323 699</b>	<b>248 884</b>

The other variations mainly include the capitalisation of inventories costs, the other acquisitions and the disposals of inventories.

• **In 2007**

Since the Sky Office (EUR 41.3 million) construction started in Düsseldorf, the whole project was transferred from property under construction to inventories as the destination of the project changed. All the other transfers relate to plots and buildings transferred to investment properties when no building permit has been obtained yet: H2 Office in Duisburg (EUR - 3.3 million), Koscic phase III (EUR - 3.1 million), Nové Dvory (EUR - 1.4 million), Peugeot project (EUR - 1.9 million) and Drawaska (EUR - 1.6 million) both located in Warsaw.

On the basis of a new DTZ valuation, impairments have been recognised on Nove Medlanky in Brno (EUR - 2.7 million), Koscic phase I (EUR - 1.5 million) and various projects within IPB Real amounting to (EUR - 1.1 million).

• **In 2006**

In the year ended 31 December 2006, all the transfers relate to plots and buildings transferred from investment properties and particularly for the Zlota Tower in Warsaw (EUR 23.1 million), Fehrbelliner Hofe in Berlin (EUR 6.2 million) and Koliba in Bratislava (EUR 6.1 million).

On the basis of a DTZ valuation, the impairments recognized in December 2005 on a development in Hungary (EUR 1.7 million) and on a development in the Czech Republic (EUR 0.9 million) have been reversed in 2006.



**NOTE 14 CREDIT RISK**

All the financial assets held by the Group as at December 2007 and 2006 are fully performing, except the details given in the note below and notably the trade receivables.

	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	14 684	8 616	27 500	1 802	8 817	61 419
Provision for impairment of receivables					-8 817	-8 817
<b>December 2006</b>	<b>14 684</b>	<b>8 616</b>	<b>27 500</b>	<b>1 802</b>	<b>0</b>	<b>52 602</b>
Trade receivables gross	53 746	8 970	608	1 567	9 183	74 074
Provision for impairment of receivables					-9 183	-9 183
<b>December 2007</b>	<b>53 746</b>	<b>8 970</b>	<b>608</b>	<b>1 567</b>	<b>0</b>	<b>64 891</b>

In 2007, the Group has recorded impairments on trade receivables amounting to EUR 1.4 million (mainly EUR 0.5 million in Germany, EUR 0.3 million in Poland and EUR 0.3 million in Slovakia) and a reversal of impairment of EUR 1.3 million (EUR 0.8 million in the Czech Republic, EUR 0.4 million in Germany). Furthermore the Group increased its impairments on receivables through the acquired businesses for EUR 0.2 million.

On acquisition, GSG, Molcom and NWDC have contributed to the Group trade receivables for EUR 4.6 million, EUR 0.9 million and EUR 1.8 million respectively, the rest of the growth is a reflection of the increased sales of the Group.

In 2006, the trade receivables with an overdue time greater than six months related mainly to German residential developments (EUR 27.0 million) and have been recovered in 2007.

Under the caption Other receivables, there is an amount overdue of EUR 3.0 million (same amount in 2006) on which an impairment of Eur 2.3 million has been recognised (EUR 1.3 million in 2006) mainly related to receivables on general contractors in Germany.

Current financial assets are composed by a diversified portfolio of investments in listed and non-listed companies and funds, none of those investments exceed EUR 3 million.

The credit risk of the Group is mitigated considering the large number of bank counterparties in each country where operates the Group.

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

>>>



In Eur million Counter party	RATING AGENCY		December 2007	December 2006
	Moody's Rating	S&P's Rating		
KBC	Aa3	A+	57,2	-
Fortis	Aa2	AA-	22	-
CSOB	A1	-	9,1	7,4
Berliner Volksbank	-	A+	5,3	4,5
Calyon	Aa1	AA-	1,2	10,6
			<b>94,8</b>	<b>22,5</b>

### NOTE 15 CURRENCY RISK

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

December 2007	Increase of 5% against EUR
CZK/EUR	6,2
PLN/EUR	3,9
HUF/EUR	5,2
SKK/EUR	2,0

Positions in foreign currencies have increased since December 2006 due to the increased portion of development projects in the Group portfolio outside the Eurozone. These projects enjoy indeed a lower leverage than investment properties and require higher equity financing from Luxembourg holding companies. These financing can be whether expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euros in companies having another currency as functional currency.

### NOTE 16 CURRENT FINANCIAL ASSETS

	December 2007	December 2006
Shares	9 390	4 430
Money market placements	1 832	16 021
<b>Total</b>	<b>11 222</b>	<b>20 451</b>

### NOTE 17 CASH AND CASH EQUIVALENTS

As at December 2007, the cash and cash equivalents consist of short term deposits for EUR 81.1 million (EUR 1.9 million in 2006), cash in bank for EUR 176.6 million

(EUR 96.2 million in 2006) and cash in hand for EUR 0.3 million (EUR 0.2 million in 2006).



**NOTE 18 HELD FOR SALE ACTIVITIES**

As at 31 December 2007, there are no held for sale activities anymore, as Stein Brewery (acquired by the Group end of December 2006), has been sold.

As at 31 December 2006, held for sale activities consist of the brewing and beer distribution activities of the

Stein Brewery acquired by the Group end of December 2006. The Group intends to sell these activities and transform this industrial site into new office, residential and probably hotel buildings.

**NOTE 19 MINORITY INTERESTS' TRANSACTIONS****• 2007**

On the GSG transactions (see note 6) the Group equity increased by EUR 5 million reflecting the gain on the positive difference between the average price per share of the capital increase subscribed by MSREF and the value per share of Orco Germany in the consolidated financial statements of Orco Property Group. The increase of minority interests by EUR 69.1 million results from the contribution of MSREF V in the transaction.

The other minority interest transactions result mainly from the following events:

- In February 2007, Suncani Hvar dd proceeded to a capital increase that has been subscribed by the Group, the croatian state privatisation fund and a few minority shareholders but not all of them. As a result the minority interests in absolute terms increased by EUR 6.3 million and the shareholding of the Group in Suncani Hvar dd has slightly gone up from 47.1% to 47.6%.
- The Group acquired the control of Molcom on the first of April 2007 (see note 6) through a company held at 80%. In the second half of 2007, the partner in this holding structure has increased its share to 30%. Additionally, during the second semester, the Group has acquired 60% of the shares in Otrada Development o.o.o. All these transactions have lead to an increase of the minority interests of EUR 39.6 million.
- The sale to the residential Endurance sub-fund of 25% in four residential developments in Poland (Zlota, Szczecin and Jozefoslav) and the Czech Republic (Praga 10) resulted in an increase of the minority interests amounting to 4.0 million and a gain recognized in other operating income amounting to EUR 6.3 million.

**• 2006**

The Group acquired during the first quarter of 2006 the last minority interests present in the capital of Orco Hotel

Group increasing its shareholding to 100%. This acquisition has been paid through a cash transaction amounting to EUR 0.3 million.

The capital holding structure of MaMaison Résidences has gone through two opposite movements during 2006:

- Two buildings in Prague (Americka Park and Masaryk) have been sold by MaMaison Résidences to Orco Property Group SA through a share deal. The holding of the Group in those buildings has then increased from 71% to 100%.
- Capital increases in July and August 2006 for a total number of shares of 8,458 for a total amount of EUR 8.5 million. Since the Group only subscribed to 52% of this capital increase, it has been diluted in the capital from 71% to 66%.
- Exercise by EBRD of a put option for their share in the capital at mid December 2006 (approximately 34%) at a price of EUR 17.1 million. This amount has been paid in cash in January 2007. As a result of this last transaction no minority interests are shown on the Group consolidated balance sheet as at December 2006 but it has not been taken into account for determining the Group share in MaMaison Résidences 2006 last quarter net results.

Finally, while holding 100% of the capital of Orco Germany as at December 2005, the Group has been diluted to 80% as at December 2006. This dilution results from the following movements:

- In January and March 2006, 35% of Orco Germany has been sold to the Group's Management.
- Capital increases in June, August and November increasing the number of shares from 2.8 million to 34.6 million out of which the Group subscribed 82% for EUR 87.0 million.
- The Group sold 0.9 million shares on the Market.



**NOTE 20 BORROWINGS**
**20.1 Borrowings maturity**

The following tables describe the maturity of the Group's borrowings. In 2007 the non-current bonds and financial debts amount to EUR 1.30 billion.

The Group hedged 65.8% of the floating rate borrowing amounts, in order to limit the risk of the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

At 31 December 2007	Less than one year	1 to 5 years	More than 5 years	TOTAL
<b>NON-CURRENT</b>				
Bonds	-	199 474	273 338	472 812
Convertible bonds	-	-	129 762	129 762
Exchangeable bonds	-	20 628	-	20 628
Fixed rate bonds	-	126 640	143 576	270 216
Floating rate bonds	-	52 206	-	52 206
Financial debts	-	650 458	181 266	831 724
Bank loans	-	650 018	156 720	806 738
Fixed rate	-	28 193	34 672	62 865
Floating rate	-	621 825	122 048	743 873
Other non-current borrowings	-	440	23 415	23 855
Finance lease liabilities	-	-	1 131	1 131
<b>Total</b>	<b>-</b>	<b>849 932</b>	<b>454 604</b>	<b>1 304 536</b>
<b>Current</b>				
<b>Bonds and financial debts</b>				
Bank loan fixed rate	40 669	-	-	40 669
Bank loan floating rate	119 667	-	-	119 667
Others borrowings	14 880	-	-	14 880
<b>Total</b>	<b>175 216</b>	<b>-</b>	<b>-</b>	<b>175 216</b>

The other non-current borrowings represent 50% of the equity loan granted to Hospitality Invest S.à r.l. by AIG. Fair value of short term and long term fixed rate debt as

at 31 December 2007 (including bonds) amounts to EUR 491.6 million, whereas the total book value as at 31 December 2007 is EUR 524.1 million.





At 31 December 2006	Less than one year	1 to 5 years	More than 5 years	<b>TOTAL</b>
<b>NON-CURRENT</b>				
Bonds	-	<b>56 176</b>	<b>184 679</b>	<b>240 855</b>
Convertible bonds	-	5 768	120 208	125 976
Exchangeable bonds	-	-	23 172	23 172
Fixed rate bonds	-	50 408	41 299	91 707
Financial debts	-	<b>204 419</b>	<b>110 686</b>	<b>315 105</b>
Bank loans	-	203 644	107 568	311 212
Fixed rate	-	39 143	24 617	63 760
Floating rate	-	164 501	82 951	247 452
Other non-current borrowings	-	775	1 961	2 736
Finance lease liabilities	-	-	1 157	1 157
<b>Total</b>	<b>-</b>	<b>260 595</b>	<b>295 365</b>	<b>555 960</b>
<b>Current</b>				
<b>Bonds and financial debts</b>				
Bonds	4 210	-	-	4 210
Bank loan fixed rate	23 615	-	-	23 615
Bank loan floating rate	66 077	-	-	66 077
Others borrowings	1 384	-	-	1 384
Finance lease liabilities	84	-	-	84
<b>Total</b>	<b>95 370</b>	<b>-</b>	<b>-</b>	<b>95 370</b>



Bank loans include amounts secured by a mortgage on properties and/or a pledge on the shares of the companies benefiting from the loan to the value of EUR 967.1 million (EUR 400.9 million as at 31 December 2006). In general Orco Property Group S.A. has granted its guarantee in favour of the bank for each of the subsidiaries.

The guarantees granted to financial institutions remain fully valid until complete reimbursement of credits. No partial waiver on pledge or mortgage has been scheduled.

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

	December 2007	December 2006
EUR	1 281 478	502 155
CZK	141 539	113 113
PLN	19 691	7 341
SKK	31 501	15 646
RUB	75	-
HRK	5 468	13 075
<b>Total</b>	<b>1 479 752</b>	<b>651 330</b>

## 20.2 Convertible bonds 2004-2011

During the first quarter of 2007, Orco Property Group used its call option on the convertible bonds 2004-2011. Since the issuance 999,576 bonds were converted out

of 1,001,563 convertible bonds. On 26 March 2007 Orco Property Group reimbursed in cash 1,987 non-converted bonds. The convertible bonds 2004-2011 issue is consequently closed. The original convertible bonds had the following terms:

<b>Bonds</b>	
Nominal	EUR 32,450,641.20
Number of bonds	1,001,563 at issue. 0 after exercised conversion.
Issue price	at par value, EUR 32.40
Redemption price if not converted	111.76% of par at EUR 36.21, i.e. a gross yield-to-maturity of 6.80%
Nominal interest rate	5.5%
Conversion price	EUR 32.40
Conversion ratio	One new share for one bond
Issuance date	22 September 2004
Conversion at the discretion of bondholder	From the issuance date until 15 December 2011. The final redemption date is on 24 December 2011.
The issuer's call rights	As of 1 April 2006, i.e. the first day of the 19th month following the issuance date, should the Orco Property Group share be at or above the price of EUR 40.50, bondholders who have not converted after a 30-days call notification period will receive, in addition to redemption of principal and interest accrued, a redemption premium allowing them to achieve a gross yield-to-maturity of 8%.
ISIN	FR00101018704
Listing	Euronext - Paris



At issuance the funds raised with this convertible bond have been divided into a long-term debt component and an equity component. The costs linked to the issuance of the bond were deducted from the funds raised. The equity component, classified in other reserves, represented the market value on the date of the issuance of the call options embedded in the convertible bond. The difference between the debt component and the par value of the bond was taken in profit and loss accounts using the effective interest method.

<b>Balance at 31 December 2005</b>	<b>21 878</b>
Interest accumulated during the period	245
Own bonds	-2 253
Conversion rights exercised	-14 102
<b>Balance at 31 December 2006</b>	<b>5 768</b>
Interest accumulated during the period	102
Conversion rights exercised	-5 870
<b>Balance at 31 December 2007</b>	<b>-</b>

As at 31 December 2006 Orco Property Group owned 70,000 bonds.

### 20.3 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:

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

As at 31 December 2007, no bond had been exchanged. The funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a long term derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The derivative component of EUR 9.3 million (EUR 13.6 million in 2006), classified in non-current financial obligations, represents the market value of the call options embedded in the bond. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

<b>Balance at 31 December 2005</b>	<b>23 108</b>
Interest accumulated during the period	144
Own bonds	-80
<b>Balance at 31 December 2006</b>	<b>23 172</b>
Interest accumulated during the period	160
Conversion rights exercised	-2 704
<b>Balance at 31 December 2007</b>	<b>20 628</b>

As at 31 December 2007, the market price of Hvar dd shares on the Zagreb Stock Exchange was HRK 180.00 (HRK 201.32 at 31 December 2006). As at 31 December 2007 Orco Property Group owned 92,221 exchangeable bonds (2,500 in 2006).





**20.4 Bonds with repayable subscription warrants (“OBSAR 1”)**

Orco Property Group launched an exchange offer on the 2012 callable warrants (BSAR 2012) (ISIN code: LU0234878881). Each holder of warrants was entitled to elect to receive, for every 3 BSAR 2012, 1 new share and 3 new BSAR 2014 (ISIN code: XS0290764728). The exchange offer for which a prospectus was approved by the Commission de Surveillance du Secteur Financier (CSSF) on 22 October 2007, on the 2012 callable warrants, met considerable success. The offer closed on 16 November 2007 with 1,077,934 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.
  - The number of existing 2012 callable warrants (exercise price of EUR 68.61) is thus reduced to 21,61. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2012 callable warrant exercised at EUR 68.61.
- Please refer to the provisions of section 4.2.2.4.1.2. of the non-audited prospectus approved by the CSSF and dated 22 March 2007, for more information about the new exercise ratio.

**Bonds**

Nominal	EUR 50,272,605.30
Number of bonds	73,273
Nominal value per bond	EUR 686.10
Issue price per bond	EUR 682.38
Redemption	18 November 2010
Normal Redemption	at par, EUR 686.10 per bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group S.A. share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is equal to or greater than the Exercise Price of the Redeemable Share Subscription Warrants, at 120% of par, that is EUR 823.32 per Bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is less than the Exercise Price of the Redeemable Share Subscription warrants.
Early Redemption	Option for the Group to redeem all bonds at 120% of the par value on any Interest Payment Date subject to one month's notice to bearers before the early redemption date.
Nominal interest rate	4.5%
ISIN	FRO010249599
Listing	Euronext - Paris



**Warrants**

Number of warrants	21,161 (corresponding to an initial ratio of 15 warrants/issued bond)
Exercise ratio	one warrant gives the right to 1.03 share
Exercise price	EUR 68.61
Exercise period	until 18 November 2012
Early repayment	From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01 if the average share price over the last 10 days preceeding 19 November 2007 is higher than EUR 96.05.
ISIN	LU0234878881
Listing	Euronext - Paris

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 3.7 million reduced by EUR 1.1 million deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 3.4 million (EUR 2.5 million in 2006), classified in non-current liabilities under the caption Derivative Instruments, represents the market value of the redemption premium granted to the bondholder if the average market price of Orco shares does not reach a certain level before the repayment date. This derivative is revalued at its market value at each closing through

the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

<b>Balance at 31 December 2005</b>	<b>39 378</b>
Interest accumulated during the period	1 921
<b>Balance at 31 December 2006</b>	<b>41 299</b>
Interest accumulated during the period	1 909
<b>Balance at 31 December 2007</b>	<b>43 208</b>



**20.5 Convertible bonds 2006-2013**

<b>Bonds</b>	
Nominal	EUR 149 999 928
Number of bonds	1 086 956
Nominal value	EUR 138.00
Issue price	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	FRO010333302
Listing	Euronext - Paris

<b>Debt component on issue</b>	<b>118 093</b>
Interest accumulated during the period	2 375
Own bonds	- 260
<b>Balance at 31 December 2006</b>	<b>120 208</b>
Interest accumulated during the period	11 175
Own bounds	-1 621
<b>Balance at 31 December 2007</b>	<b>129 762</b>

As at 31 December 2007, 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 net of deferred tax, 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 option is not converted. In accordance with IAS32 prescriptions, this premium is amortized as interest over the lifetime of the bond.

As at 31 December 2007 Orco Property Group owned 12,237 bonds (1,777 in 2006).





**20.6 CZK 1.4 billion floating rate bond ("Czech Bond")**

<b>Bonds</b>	
Nominal	CZK 1 400 000 000
Number of bonds	140
Nominal value	CZK 10 000 000
Issue price	CZK 10 000 000
Nominal interest rate	6M Pribor + 2.20%
Issuance date	03 February 2006
Next interest rate fixing date	31 January 2008
Final redemption date	03 February 2011
ISIN	CZ0000000195
Listing	Prague Stock Exchange

<b>Debt component on issue</b>	<b>48 684</b>
Interest accumulated during the period	114
Translation differences	1 610
<b>Balance at 31 December 2006</b>	<b>50 408</b>
Interest accumulated during the period	124
Translation differences	1 674
<b>Balance at 31 December 2007</b>	<b>52 206</b>

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



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

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

#### Bonds

Issuer	Orco Property Group SA
Nominal	EUR 175,000,461.60
Number of bonds	119,544
Nominal value per bond	EUR 1,463.90
Issue price per bond	EUR 1,421.45
Redemption	28 March 2014
Redemption price	117.5% of par at EUR 1,720.08, i.e. a gross yield-to-maturity of 7.383%.
Nominal interest rate	2.5%
ISIN	XS0291838992
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	one warrant gives the right to 1.03 share
Exercise price	EUR 146.39
Exercise period	until 28 March 2014
Early repayment	From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds EUR 190.31.
ISIN	XS0290764728
Listing	Euronext - Brussels Euronext - Paris

The funds raised with this bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 23.9 million reduced by EUR 6.9 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.

Debt component on issue	139 986
Interest accumulated during the period	5 646
Own bonds	-2 056
<b>Balance at 31 December 2007</b>	<b>143 576</b>

As at 31 December 2007 Orco Property Group owned 1,701 bonds (0 in 2006).





## 20.8 Bonds with repayable subscription warrants ("OBSAR OG")

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

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

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 13.5 million reduced by EUR 3.9 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 8.5 million (EUR 1.7 million at issue) 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. This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

<b>Debt component on issue</b>	<b>81 656</b>
Interest accumulated during the period	1 776
<b>Balance at 31 December 2007</b>	<b>83 432</b>

As at 31 December 2007 Orco Property Group owned 2,937,331 warrants (0 in 2006).



## 20.9 Derivatives

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

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

Share derivatives represent call options on Suncani Hvar shares. The ones classified in assets are exercisable at HRK 100.00, the ones classified in liabilities correspond to the one issued with exchangeable bonds (see note 20.3).

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.

Foreign exchange derivatives include agreements to buy or sell a quantity of currency at a predetermined future date and rate. Orco Property Group uses foreign exchange derivatives in USD and HUF to cover financing needs for the development of Hungarian projects and the Radio Free Europe project in the Czech Republic.

Embedded derivatives on bonds correspond to the derivatives embedded on the OBSAR (please refer to the notes on the specific bonds 20.4 and 20.8).

Orco Property Group uses various types of interest rate and foreign currency exchange rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates and exchange rates. As at 31 December 2007 the total debt covered by interest rate swaps and collars amounts to EUR 603.9 million (65.8% of the floating rate debt).

	December 2007	December 2006
Share derivatives	14 378	22 216
Interest rate derivatives	2 063	204
Forex derivatives	5 955	175
<b>Total current assets</b>	<b>22 396</b>	<b>22 595</b>
Share derivatives	9 336	13 622
Embedded derivatives on bonds	11 817	2 498
Interest rate derivatives	-	425
<b>Total non-current liabilities</b>	<b>21 153</b>	<b>16 545</b>
Forex derivatives	3 981	-
Interest rate derivatives	891	161
<b>Total current liabilities</b>	<b>4 872</b>	<b>161</b>
<b>Net derivatives</b>	<b>-3 629</b>	<b>5 889</b>



**20.10 Movement of non-current bonds**

	December 2007	December 2006
Opening	240 855	84 364
Issue of new bonds	221 642	166 777
Interest accumulated during the period	20 892	4 798
Conversion rights exercised	-5 870	-14 102
Translation differences	1 674	1 610
Own bonds	-6 381	-2 593
<b>Total</b>	<b>472 812</b>	<b>240 855</b>

**20.11 Net interest expenses**

	December 2007	December 2006
Interest income	8 911	2 393
Interest expenses	-66 345	-18 133
<b>Net interest expenses</b>	<b>-57 434</b>	<b>-15 740</b>

**20.12 Average effective interest rates**

DECEMBER 2007					
	EUR	CZK	SKK	PLN	HKR
Bonds	7,91 %	5,19%	-	-	-
Bank borrowings	5,83%	5,69%	5,67%	6,47%	4,88%
DECEMBER 2006					
	EUR	CZK	SKK	PLN	HKR
Bonds	5,61 %	5,27%	-	-	-
Bank borrowings	5,04%	4,45%	5,83%	5,49%	4,75%

### 20.13 Undrawn credit facilities

	December 2007	December 2006
Expiring within one year	46 246	16 003
Expiring after one year	285 695	59 154
<b>Total</b>	<b>331 941</b>	<b>75 157</b>

Increase of undrawn facilities in 2007 result from credit lines mainly on the following projects:

- Sky Office in Germany (EUR 81.7 million)
- Radio Free Europe, Na Porici and Kotic in Czech Republic (respectively EUR 32.0 million, EUR 20.7 million and EUR 40.7 million)
- City Gate in Slovakia (EUR 21.0 million)

### 20.14 Minimum lease payments

	December 2007	December 2006
<b>More than 5 years</b>	<b>4 421</b>	<b>4 462</b>
Future finance charges on finance leases	-3 290	-3 305
<b>Present value of finance lease liabilities</b>	<b>1 131</b>	<b>1 157</b>

## NOTE 21 PROVISIONS & OTHER LONG TERM LIABILITIES

This caption includes other long term liabilities for EUR 4.1 million (EUR 0.2 million in 2006) representing mainly the retention on general contractors' invoices when applicable. The provisions amount of EUR 14.1 million (EUR 11.6 million in 2006) includes specific provisions to cover residential developments' risks for EUR 4.0 million (EUR 1.7 million in 2006) and provisions accumulated to cover the Group's retirement benefit obligations as detailed hereafter.

#### Retirement benefit obligation:

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

	December 2007	December 2006
Present value of unfunded obligations	7 933	9 237
unrecognised actuarial gains	2 187	723
<b>Liabilities in the balance sheet</b>	<b>10 120</b>	<b>9 960</b>



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

	December 2007	December 2006
Beginning of the period	9 237	-
Scope variation	-	8 782
Current service cost	156	78
Interest cost	386	196
Actuarial gains	-1470	441
Benefits paid	-375	-170
Transfer amounts	-	-90
<b>End of year</b>	<b>7 934</b>	<b>9 237</b>

The principal actuarial assumptions used were as follows:

	December 2007	December 2006
Discount rate	5,50%	4,25%
Future salary increases	2,75%	2,75%
Future pension increases	2,00%	1,75%

## **NOTE 22** LIQUIDITY AND CASH FLOW INTEREST RATE RISK

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

The average lifetime of the Group's financial loans is 4.53 years. Concerning the liquidity risk of the Group, due to the variability of floating interest rates, it is important to analyse the cash flow risk inherent to the floating rate

loans and derivatives that will vary over time depending on the market conditions. Other debt instruments have been described in the specific notes of the annual accounts.

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 2007 to the contractual maturity date.

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



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

At 31 December 2007	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	-1 658	-20 340	-18 592	-256 684	-377 576	<b>-674 850</b>
Floating rate loans	-17 372	-61 807	-89 375	-794 157	-152 123	<b>-1 114 834</b>
Interest rate derivatives	187	-182	1 197	-8 256	-33	<b>-7 087</b>
Forex derivatives	-	-8 000	-71 698	-	-	<b>-79 698</b>
Embedded derivatives on bonds	-	-	-	-35 080	-	<b>-35 080</b>
<b>Total</b>	<b>-18 843</b>	<b>-90 329</b>	<b>-178 468</b>	<b>-1 094 177</b>	<b>-529 732</b>	<b>-1 911 549</b>

At 31 December 2006	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans	-29 227	-54 673	-280 488	<b>-364 388</b>
Floating rate loans	-69 407	-261 621	-106 071	<b>-437 099</b>
Interest rate derivatives	-162	-	402	<b>240</b>
Embedded derivatives on bonds	-	-10 055	-	<b>-10 055</b>
<b>Total</b>	<b>-98 796</b>	<b>-326 349</b>	<b>-386 157</b>	<b>-811 302</b>

The floating rate loans line presents the projected cash flows, including interests and the reimbursements of the principal, on all the Group's floating rate loans. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2007. Interest Rate Swaps, Collars and Forex Derivatives used by the Group are detailed in the note 20.9 Derivatives. As at 31 December 2007, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2008 of EUR 1.3 mil-

lion. Before the positive impact of derivatives, the increase of interest expenses in 2008 would amount to EUR 6.2 million.

As at 31 December 2006, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2007 of EUR 1.4 million. Before the positive impact of derivatives, the increase of interest expenses in 2007 would amount to EUR 1.9 million.



Current liabilities presented below are stated after intercompany elimination:

<b>At 31 December 2007</b>	<b>Less than 1 month</b>	<b>Between 1 and 6 months</b>	<b>Between 6 months and 1 year</b>	<b>Total</b>
Financial debt	-12 240	-18 510	-144 466	<b>-175 216</b>
Trade payables	-25 589	-17 943	-6 688	<b>-50 220</b>
Advance payments	-1 917	-16 588	-83 173	<b>-101 678</b>
Other current liabilities	-10 213	-26 001	-5 014	<b>-41 228</b>
<b>Total</b>	<b>-49 959</b>	<b>-79 042</b>	<b>-239 341</b>	<b>-368 342</b>

<b>At 31 December 2006</b>	<b>Less than 1 month</b>	<b>Between 1 and 6 months</b>	<b>Between 6 months and 1 year</b>	<b>Total</b>
Financial debt	-	-21 112	-74 258	<b>-95 370</b>
Trade payables	-1 141	-9 625	-44 760	<b>-55 526</b>
Advance payments	-25	-4 390	-58 962	<b>-63 377</b>
Other current liabilities	-3 695	-37 638	-5 331	<b>-46 664</b>
<b>Total</b>	<b>-4 861</b>	<b>-72 765</b>	<b>-183 311</b>	<b>-260 937</b>

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

### **NOTE 23** OTHER OPERATING INCOME

The other operating income amounting to EUR 30.9 million (EUR 2.8 million in 2006) include mainly net gains on total or partial sales of operational assets (EUR 27.1 million compared to EUR 0.1 million in 2006). Those gains arised essentially on the partial sale of the hotel portfolio to AIG (EUR 18.6 million see note 6), the sale of

25% in four residential developments to the Endurance residential sub-fund (EUR 6.3 million see note 19), the sale of the Pier Eins office building in Duisburg (EUR 2.3 million) and the sale by apartment of the residential Vinohrady portfolio (EUR 0.7 million).



**NOTE 24 OTHER NET FINANCIAL RESULTS**

	2007	2006
Fair value of derivative instruments	-7 717	6 650
Fair value and realised on other financial assets	3 891	2 260
Other net finance charges	-6 937	-870
<b>Other net financial results</b>	<b>-10 763</b>	<b>8 040</b>

The fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds and in fair value of other derivatives (IRS, options and forwards). Please refer to note 20 for further details.

The fair value of other financial assets essentially relates to financial assets at fair value through profit and loss (investment in Endurance Fund compartments) and to

short term trading instruments within the treasury management.

In 2007, there are some other finance charges, among which early repayment fees of pre-acquisition GSG loans (EUR 2.9 million), and withholding tax on interests paid by Polish subsidiaries to Luxembourg Group entities (EUR 0.4 million).





**NOTE 25 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 taxes of one entity relate to the same fiscal authority. All deferred taxes are supposed to be recoverable after more than 12 months.

	December 2006	Scope variation	Total change in income statement	Change in equity	Translation differences	December 2007
Intangible assets	326	-2 789	440	-17	-	-2 040
Tangible assets	-78 928	-114 478	-11 439	-25 457	-1 287	-231 589
Financial assets	-325	-	1 026	-	-	701
Inventories	-4,476	-	621	18	-34	-3 871
Current assets	-35	-91	109	-	-	-17
Provisions	89	-	-45	57	-	101
Equity	-	79	1 362	-	-	1 441
Long term debts	-9 134	-49	2 483	-10 759	-	-17 459
Current debts	-	-855	872	-17	-	-
Recognized loss carry forward	10 301	-	12 489	-	-249	22 541
<b>Total Deferred taxes</b>	<b>-82 182</b>	<b>-118 183</b>	<b>7 918</b>	<b>-36 175</b>	<b>-1 570</b>	<b>-230 192</b>
<b>Deferred tax assets</b>	<b>6 566</b>					<b>13 748</b>
<b>Deferred tax liabilities</b>	<b>-88 748</b>					<b>-243 940</b>

The income tax rates in the Group vary from 16% in Hungary up to 39% in Germany in 2007.

In 2007, the theoretical tax rate is 31.95% before reduction of tax rates in Germany and Czech Republic applicable as from 2008 (2006: 24.54%).

The effective tax rate of the period is 2.27% (2006: 20.39%). Without the impact of tax rates decrease in Germany and the Czech Republic, the effective tax rate for 2007 would be have been 33%.

The income taxes recognised in the income statement amount to EUR 2.3 million and composed of EUR 10.2 million of current income tax expenses and EUR 7.9 million of deferred income taxes gain. The gain on deferred income taxes mainly arised on the decrease in income tax liabilities (EUR 32.2 million) due to the decrease in the average tax rate in Germany from 39% to 31% and in the Czech Republic from 24% to 21%. The decrease in tax rate affects mainly deferred taxes on tangible

assets, which explains the decrease of EUR 11.4 million. In the coming years the tax rate in the Czech Republic will further decrease to 19%.

The change in equity represents the deferred taxes recognized on the share subscription rights embedded in the OBSAR bonds because they have been immediately recognised in equity which are slightly offset by the reversal of deferred taxes on the partial conversion of bonds issued in 2004 and on the revaluation of buildings located in single asset companies since such acquisitions are not considered as business combination under IFRS. The deferred tax liability on scope variation represents mainly the deferred tax liabilities arising from the acquisition of GSG (EUR 98.8 million) and Molcom (EUR 21.5 million), and the decrease in deferred tax liabilities due to the sale of 50% of the hotel portfolio to AIG (EUR - 2.2 million).



**NOTE 26 EARNINGS PER SHARE**

	December 2007	December 2006
<b>At the beginning of the period</b>	<b>8 389 646</b>	<b>6 792 578</b>
Shares issued	8 389 646	6 792 578
<b>Weighted average movements</b>	<b>1 170 407</b>	<b>893 090</b>
Issue of new shares for cash	1 234 973	920 019
Treasury shares	- 64 566	- 26 929
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	<b>9 560 053</b>	<b>7 685 668</b>
<b>Dilutive potential ordinary shares</b>	<b>966 411</b>	<b>1 946 500</b>
Share subscription rights BSA	-	168 052
Share subscription rights BSAR 2012	371 662	254 650
Convertible bond 04-11	-	259 014
Convertible bond 06-13	-	634 058
Employee stock options	44 750	80 726
PACEO	550 000	550 000
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	<b>10 526 465</b>	<b>9 632 168</b>
<b>Net profit attributable to the Group</b>	<b>87 508</b>	<b>96 699</b>
<b>Effect of assumed conversions / exercises</b>	<b>2 453</b>	<b>5 848</b>
Share subscription rights BSA	-	177
Share subscription rights BSAR 2012	1 165	798
Convertible bond 04-11	-	501
Convertible bond 06-13	-	2 308
PACEO	1 288	2 063
<b>Effect of assumed conversions of potential ordinary shares in subsidiaries</b>	<b>- 184</b>	<b>- 5 154</b>
Orco Germany Warrants	- 184	- 5 154
<b>Net profit attributable to the Group after assumed conversions / exercises</b>	<b>89 777</b>	<b>97 393</b>
Basic earnings in EUR par share	9,15	12,58
Diluted earnings in EUR par share	8,53	10,11



Basic earnings per share is calculated by dividing the profit attributable to the Group by the weighted average number of ordinary shares in issue during the period, 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 February 2006 the Board of Directors of Orco Germany decided to allocate one warrant to each 350 000 existing share at that time. Three warrants giving the right to subscribe to one new share (see note 20.8). After the Extraordinary General Meeting of Orco Germany's shareholders voted the division by 8 of the existing shares and the attached warrants. As a result the 2 800 000 warrants have an exercise price of EUR 4.63 a share and can be exercised up to February 2009.

## **NOTE 27 EQUITY**

### **27.1 Share capital**

	<b>Number of shares</b>	<b>Capital</b>	<b>Share premium</b>
<b>Balance at 31 December 2005</b>	<b>6 792 578</b>	<b>27 850</b>	<b>118 964</b>
Exercise of employee stock options	99 500	408	3 075
Exercise of share subscription rights	388 281	1 592	7 339
Conversion of convertible bonds	451 936	1 853	12 790
Exercise of PACEOs 1	165 940	680	10 199
Exercise of PACEOs 2	450 000	1 845	41 957
Dividend paid in shares	41 411	170	3 229
<b>Balance at 31 December 2006</b>	<b>8 389 646</b>	<b>34 398</b>	<b>197 552</b>
Exercise of employee stock options	294 000	1 205	20 615
Capital increase	1 500 000	6 150	166 350
Conversion of convertible bonds	257 027	1 054	7 274
Dividend paid in shares	36 834	151	3 971
PEO Bsar 2012 vs 2014	359 287	1 473	-
<b>Balance at 31 December 2007</b>	<b>10 836 794</b>	<b>44 431</b>	<b>395 762</b>

In March 2007 the Group proceeded to the redemption before due date of the convertible bonds 2004-2011, ISIN code FRO0101018704. The bondholders had the possibility to convert their bonds at the conversion ratio of 1 bond for 1 share until 19 March 2007. The bondholders who did not convert their bonds at this date received a supplementary interest assuring them for the total length of their investment a gross redemption return on the basis of 8%. The total amount of the reimbursement was EUR 34.94 per bond (interest from 1 January 2007 to 26 March 2007 of EUR 0.42 on the

nominal of EUR 32.40, increased by a reimbursement premium of EUR 2.12).

In June 2007 a capital increase of 1,500,000 new shares at EUR 115.00 per share has been successfully issued, with high demand from a broad range of institutional investors, for admission to trading and listing on the Warsaw and Budapest Stock Exchanges. The Group's shares are now trading on four stock exchanges in Europe.

As at 29 October 2007, the Group launched an exchange offer on the ORCBR 2012 warrants. Each





holder of warrants ORCBR 2012 was entitled to elect to receive, for every 3 ORCBR 2012 warrants 1 new share and 3 new ORCOW 2014 warrants. As a consequence 1,077,934 ORCBR 2012 warrants have been tendered into the offer (success rate of 98.07%) and 359,287 new shares have been issued.

The Extraordinary Shareholders' Meeting of 14 June 2006 renewed the authorization 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 authorized capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorized capital of EUR 100,000,000, under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors has been authorized and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorization is valid for a five-year period ending on 14 June 2011.

A total of EUR 44,430,855.40 has been used to date under this authorization. As such, the Board of Directors still has a potential of EUR 55,569,144.60 at its disposal. Considering that all new shares are issued at the par value of EUR 4.10 a potential total of 13,553,449 new shares may still be created.

### 27.2 Share subscription rights

The Board of Directors decided, in its meeting on 5 November 2003, to initiate the issue of rights allowing their bearers to subscribe to new shares to be issued by the Company, shareholders having waived their preferential subscription right on the basis of new shares likely to be created following right exercise.

Rights had been granted free of charge to all the shareholders who composed the capital of the Company on the day of issue. One share subscription right had been granted free of charge for one Orco Property Group share held at the end of day 14 November 2003.

Three share subscription rights allow to subscribe to one new share to be issued at the unit price of EUR 23. The

exercise period spreads from 17 November 2003 to 16 November 2006 included. At issuance, the number of shares created this way amounts to 1,013,191. A number of 11.361 rights was not used and is definitively lost.

### 27.3 Convertible bonds

See note 20.5

### 27.4 Repayable subscription warrants

See note 20.4, 20.7 and 20.8

### 27.5 Employee stock options

No new stock option plan has been granted in 2007.

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

Exercise price: EUR 75.6 per share

Exercise period: from 3 March 2007  
until 3 March 2012

Total number  
of options: 350 000

In accordance with IFRS 2 share-based payments, the total theoretical and non-cash cost of EUR 9.1 million has been estimated and is amortized in the income statement under the Employee benefit caption over the one year vesting period. 2007 amortization amounts to EUR 1.5 million (EUR 7.6 million in 2006). 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.

On 2 May 2005, a stock option plan was granted to employees under the following conditions:

Exercise price: EUR 35.0 per share

Exercise period: from 2 May 2006  
until 30 April 2010

Total number  
of options: 150 000

During the year ended 31 December 2007, 17 500 options of the 2005 plan were exercised (2006: 99 500). All options from the 2005 plan have now been exercised



**Movements in the number of share options :**

	2007		2006	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
<b>Outstanding at the beginning of the year</b>	<b>73.67</b>	<b>367 500</b>	<b>35.00</b>	<b>117 000</b>
Granted	-	-	75.60	350 000
Exercised	73.27	-304 500	35.00	-99 500
<b>Outstanding at the end of the year</b>	<b>75.60</b>	<b>63 000</b>	<b>73.67</b>	<b>367 500</b>

**27.6 Dividends per share**

The dividends paid in 2007 and 2006 were EUR 8.6 million (EUR 1.00 per share) and EUR 6.0 million (EUR 0.80 per share) respectively.

The Board of Directors has decided to propose at the Annual General Meeting of Orco Property Group S.A. the payment of EUR 1.40 per share in respect of 2007 financial year. As this is an event after the balance sheet date, these financial statements do not reflect this dividend proposal that will be accounted for in 2007 as an appropriation of retained earnings.

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

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

**NOTE 28 CONTINGENCIES**

The Group has given guarantees in the ordinary course of business (see note 20).

**NOTE 29 CAPITAL AND OTHER COMMITMENTS**
**• Capital commitments**

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at December 2007, the remaining balance to be called amounts to:

- EUR 14.5 million out of EUR 21.9 million subscribed for the residential sub-fund (EUR 14.7 million in 2006);
- EUR 10.0 million out of EUR 47.0 million subscribed for

the hospitality sub-fund (the sub-fund did not exist in 2006).

- 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 2007 amount to EUR 1.9 billion (EUR 499.4 million in 2006). This does not take into account the potential investments in future projects on land bank like Bubny in Prague, Wertheim in Berlin or





hotels to be refurbished in Hvar.

- **Other commitments**

In a decision taken on March 3rd, 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. 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.

### NOTE 30 RELATED PARTY TRANSACTIONS

- **Transactions with key management personnel**

The global consideration given as short term employee benefit to the members of the Executive Committee amounted to EUR 9.6 million as at 31 December 2007 (EUR 2.6 million in 2006).

The stock options granted to the employees are detailed in note 27.5. Among the 350.000 stock options granted in 2006, 339.000 have been granted to members of the Executive Committee. In addition the Group sold, in the first quarter of 2006, 980 000 shares (after adjustment for share split by 8) of Orco Germany S.A., a subsidiary of the Company, to members of the Executive Committee for a global price of EUR 1.2 million. This transaction resulted in the recognition of a gain amounting to EUR 0.4 million in the Group consolidated accounts.

The Company granted advances to key management personnel for an amount of EUR 0.9 million.

The Company did not grant any other advance to members of the Executive Committee and does not finance any pension plan in their favour.

In 2007, apartments built by the Group in the Czech Republic have been sold to four members of the executive committee for a total amount of EUR 2 million and an average discount of 6.8% compared to market conditions. During the first six months of 2006, three houses built by the Group in the Czech Republic have been sold to key management personnel for a global amount of EUR 2.4 million. Those transactions were carried out at arms' length.

- **Transactions with Directors**

Board Members receive a EUR 1000 fee for each board they attend. The total amount of attendance fees allocated amounted to EUR 28,000 (EUR 27,000 in 2006). The Company did not grant any advance to Board Members and does not finance any pension plan in their favour.

For technical reasons the Group has held for a short period in 2006 a company whose activities have no link to the Group activities. This holding company was subsequently sold to a Board Member at arms' length.

Additionally, Orco has an investment of EUR 2.0 million in NOVY Fund showing a fair value of EUR 2.9 million as at

31 December 2007 (fair value of EUR 2.3 million as at 31 December 2006). This Fund is managed by some key management members of OPG. NOVY Fund is an opportunistic and value-creating fund which provides exposure to the Central European equity and bond market.

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

Orco is the sponsor and the fund manager of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Group is the shareholder of the management company of the Fund and has also invested in the three sub-fund's existing as at December 2007 (see note 12). The hospitality sub-fund is fully consolidated since December 2007. Orco holds 88% of the total subscriptions. As at December 2007, the Group's subscription to the office and residential sub-funds represents 16.29% and 10.89% of the total subscription respectively.

Orco's remuneration from the office and residential sub-funds amounting to EUR 7.6 million in 2007 (EUR 4.5 million in 2006) 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.

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.

- **Transactions with other related parties**

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



**NOTE 31 LIST OF THE FULLY CONSOLIDATED SUBSIDIARIES**

Company	Country	Currency	Activity	% shareholding	
				31.12.07	31.12.06
1. Sportovní, a.s.	Czech Republic	CZK	Development	100%	100%
Ambona Kredit s.r.o.	Czech Republic	CZK	Development	100%	/
Americká 1, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká 33, a.s.	Czech Republic	CZK	Leasing	100%	100%
AMERICKÁ – ORCO, a.s.	Czech Republic	CZK	Leasing	100%	100%
Americká Park, a.s.	Czech Republic	CZK	Extended stay	100%	100%
And 70 Kft.	Hungary	HUF	Leasing	100%	100%
Anglická 26, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Ariah Kft	Hungary	HUF	Leasing	100%	100%
Brno City Center a.s.	Czech Republic	CZK	Leasing	100%	/
Belgická – Na Kozačce, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Beta Development s.r.o.	Czech Republic	CZK	Development	100%	/
B.P. Servis, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
BRNO CENTRUM, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Bubenska 1 a.s. (previously Re Investment Trust a.s.)	Czech Republic	CZK	Leasing	100%	100%
Bubny Development s.r.o. (previously Orco Omikron, 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%	/
Central European Real Estate Management S.A.	Luxembourg	EUR	Management	100%	100%
Certuv Ostrov, a.s.	Czech Republic	CZK	Development	100%	100%
City Gate s.r.o.	Slovakia	SKK	Development	100%	/
CWM 35 Kft.	Hungary	HUF	Leasing	100%	100%
Development Doupovska, s.r.o.(previously Orco Alfa s.r.o.)	Czech Republic	CZK	Development	100%	100%
Diana Development Sp. z.o.o.	Poland	PLN	Extended stay	100%	100%
Dienzenhoferovy sady 5, s.r.o. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
Endurance Hospitality Assets S.à r.l.	Luxembourg	EUR	Management	88%	/
Endurance Hospitality Finance S.à r.l.	Luxembourg	EUR	Management	88%	/
Endurance Hospitality sub-fund	Luxembourg	EUR	Management	88%	/
Endurance Real Estate Management Company S.A.	Luxembourg	EUR	Management	100%	100%
Etoile d'or S.A.	Luxembourg	EUR	Leasing	100%	100%
Hagibor Office Building a.s. (previously Orco Reality a.s.)	Czech Republic	CZK	Development	100%	100%
IPB Real Reality, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, a.s.	Czech Republic	CZK	Development	100%	100%
IPB Real, s.r.o.	Czech Republic	CZK	Development	100%	100%
Iskolaprojekt 68 Kft. (merged into Izabella 62-64 Kft. In 2007)	Hungary	HUF	Development	/	100%
Izabella 62-64 Kft.	Hungary	HUF	Development	100%	100%
Janáčkovo nábřeží 15 s.r.o. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
Jeremiašova Invest s.r.o.	Czech Republic	CZK	Leasing	100%	/



Company	Country	Currency	Activity	% shareholding	
				31.12.07	31.12.06
JIHOVÝCHODNÍ MĚSTO, a.s.	Czech Republic	CZK	Development	100%	100%
Karoua Enterprises Company Limited	Cyprus	USD	Development	70%	/
Londýnská 26, a.s.	Czech Republic	CZK	Leasing	100%	100%
Londýnská 39, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Londýnská 41, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
MÁCHOVA – ORCO,a.s.	Czech Republic	CZK	Leasing	100%	100%
MaMaison Bratislava s.r.o. (company sold in 2007)	Slovakia	SKK	Extended stay	/	100%
MaMaison Residences S.A. (liquidated in 2007)	Luxembourg	EUR	Extended stay	/	100%
MaMaison Slovakia s.r.o. (company sold in 2007)	Slovakia	SKK	Extended stay	/	100%
Mánesova 28, a.s.	Czech Republic	CZK	Leasing	100%	100%
Medec 35 Kft. (merged into CWM 35 Kft. In 2007)	Hungary	HUF	Leasing	/	100%
Meder 36 Projekt Kft.	Hungary	HUF	Leasing	100%	100%
MMR Management, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
MMR Russia S.à r.l. (company sold in 2007)	Luxembourg	EUR	Extended stay	/	100%
MOLCOM CJSC	Russia	RUB	Leasing	70%	/
MS-Invest o.o.o.	Russia	RUB	Development	70%	/
Nad Petruskou, s.r.o.	Czech Republic	CZK	Leasing	100%	100%
Na Poříčí a.s. (previously Orco Development a.s.)	Czech Republic	CZK	Leasing	100%	100%
NOVÉ MEDLÁNKY a.s.	Czech Republic	CZK	Development	100%	100%
Nupaky a.s.	Czech Republic	CZK	Development	100%	/
N W D C Company spol. s.r.o.	Czech Republic	CZK	Development	51%	/
Oak Mill,a.s.	Czech Republic	CZK	Development	100%	100%
Onset, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Adriatic d.o.o.	Croatia	HRK	Development	100%	100%
Orco Budapest Zrt.	Hungary	HUF	Development	100%	100%
Orco Capitol S.A.	Luxembourg	EUR	Leasing	100%	100%
Orco Commercial Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Construction Sp. z.o.o.	Poland	PLN	Development	75%	100%
Orco Croatia S.A.	Luxembourg	EUR	Hotel	100%	100%
ORCO Development, s.r.o.	Slovakia	SKK	Development	100%	100%
Orco Development Kft.	Hungary	HUF	Development	100%	100%
Orco Development Sp. z.o.o.	Poland	PLN	Development	75%	100%
ORCO Enterprise Sp.z.o.o.	Poland	PLN	Development	100%	100%
ORCO Estates, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Development	100%	100%
ORCO Estate Sp.z o.o.	Poland	PLN	Development	100%	/
Orco Financial Services s.r.o.	Czech Republic	CZK	Fin. Services	100%	100%
Orco Hospitality Services Sp. z o.o. (company sold in 2007)	Poland	PLN	Hotel	/	100%
Orco Hotel Collection S.A. (liquidated in 2007)	Luxembourg	EUR	Hotel	/	100%
Orco Hotel Development Sp.z o.o.	Poland	PLN	Hotel	100%	100%





Company	Country	Currency	Activity	% shareholding	
				31.12.07	31.12.06
Orco Hotel Group S.A. (liquidated in 2007)	Luxembourg	EUR	Hotel	/	100%
Orco Hotel Management Kft. (company sold in 2007)	Hungary	HUF	Hotel	/	100%
Orco Hotel Riverside s.r.o. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
Orco Hotel Project Sp. z o.o. (company sold in 2007)	Poland	PLN	Hotel	/	100%
Orco Hotel Ostrava a.s. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
Orco Hotel Zrt. (company sold in 2007)	Hungary	HUF	Hotel	/	100%
ORCO House s.r.o. (company sold in 2007)	Slovakia	SKK	Development	/	100%
Orco Hungary Kft.	Hungary	HUF	Development	100%	100%
Orco Idea Sp. z o.o.	Poland	PLN	Development	100%	/
ORCO INVESTMENT, a.s.	Czech Republic	CZK	Development	100%	100%
Orco Investment Kft.	Hungary	HUF	Development	100%	100%
Orco Investment Sp. z o.o. (company sold in 2007)	Poland	PLN	Development	/	100%
Orco Logistic Sp. z o.o.	Poland	PLN	Development	100%	/
Orco-Molcom B.V. (previously Astolfin B.V.)	Netherlands	EUR	Management	70%	/
Orco Molcom o.o.o.	Russia	RUB	Development	70%	/
ORCO Pokrovka Management o.o.o. (company sold in 2007)	Russia	RUB	Management	/	100%
Orco Poland Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Praga s.r.o.	Czech Republic	CZK	Development	75%	100%
ORCO Prague, a.s.	Czech Republic	CZK	Leasing	100%	100%
ORCO Project Management, s.r.o.	Czech Republic	CZK	Development	100%	100%
Orco Project Szervező Zrt. (merged into Izabella 62-64 Kft. In 2007)	Hungary	HUF	Development	/	100%
Orco Project Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Project, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO Property Management, a.s.	Czech Republic	CZK	Leasing	100%	100%
Orco Property Sp. z.o.o.	Poland	PLN	Development	75%	100%
ORCO PROPERTY START, a.s. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
Orco Razvoj d.d.	Croatia	HRK	Development	100%	/
ORCO Residence, s.r.o.	Slovakia	SKK	Development	100%	100%
Orco Residential Sp. z.o.o.	Poland	PLN	Development	100%	100%
ORCO Slovakia, s.r.o.	Slovakia	SKK	Development	100%	100%
ORCO Strategy a.s. (company sold in 2007)	Czech Republic	CZK	Development	/	100%
Orco Strategy Sp. z.o.o.	Poland	PLN	Development	100%	100%
Orco Vagyongazdálkodó Kft.	Hungary	HUF	Leasing	100%	100%
ORCO Vinohrady, a.s.	Czech Republic	CZK	Leasing	100%	100%
Orco Vision Sp. z o.o.	Poland	PLN	Development	100%	/
Orco Warsaw Sp. z o.o. (company sold in 2007)	Poland	PLN	Hotel	/	100%
Otrada Development o.o.o.	Russia	RUB	Development	42%	/
Ozrics Kft. (company sold in 2007)	Hungary	HUF	Leasing	/	100%
Pachtův palác, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Pivovar Stein, a.s.	Slovakia	SKK	Development	100%	100%



Company	Country	Currency	Activity	% shareholding	
				31.12.07	31.12.06
Ponari Enterprises Company Limited	Cyprus	USD	Development	70%	/
Private Security Enterprise "MOLCOM" CJSC	Russia	RUB	Leasing	70%	/
První Kvintum Praha a.s.	Czech Republic	CZK	Development	100%	/
Residence Belgická, s.r.o.	Czech Republic	CZK	Extended stay	100%	100%
Residence Izabella Zrt. (company sold in 2007)	Hungary	HUF	Extended stay	/	100%
RESIDENCE MASARYK, a.s.	Czech Republic	CZK	Extended stay	100%	100%
Révy 10 Kft.	Hungary	HUF	Leasing	100%	100%
Salinoko Ltd.	Cyprus	USD	Leasing	100%	100%
Seattle, s.r.o.	Czech Republic	CZK	Development	100%	100%
Stein, s.r.o.	Slovakia	SKK	Development	100%	100%
Stein Beverages a.s. (company sold in 2007)	Slovakia	SKK	held for sale	/	100%
SUNČANI HVAR d.d.	Croatia	HRK	Hotel	47.56%	47.07%
Svaty Václav s.r.o.	Czech Republic	CZK	Development	100%	/
TO Green Europe, a.s.	Czech Republic	CZK	Development	100%	50%
TQE Asset, a.s.	Czech Republic	CZK	Leasing	100%	100%
Tyršova 6 a.s. (company sold in 2007)	Czech Republic	CZK	Hotel	/	100%
U hradeb a.s. (company merged into TQE Asset a.s. in 2007)	Czech Republic	CZK	Leasing	/	/
VINOHRADY S.à r.l.	France	EUR	Holding	100%	100%
Viterra Development Ceska, s.r.o.	Czech Republic	CZK	Development	100%	100%
Viterra Development Polska Sp.z.o.o.	Poland	PLN	Development	100%	100%
Yuli Kft	Hungary	HUF	Leasing	100%	100%
Záhřebská 35, s.r.o.	Czech Republic	CZK	Leasing	100%	100%





<b>Orco Germany S.A.</b>	<b>Luxembourg</b>	<b>EUR</b>	<b>Leasing</b>	<b>56.79%</b>	<b>80.37%</b>
Hereafter follows the list of Orco Germany S.A. with its direct and indirect subsidiaries, showing the percentage of shareholding					
An den Gärten GmbH	Germany	EUR	Development	100%	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.8%	/
Cybernetyki Business Park Sp.z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	/
Endurance HC Alpha S.à r.l.	Luxembourg	EUR	Management	100%	/
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Management	100%	/
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Management	100%	/
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	/
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	/
Isalotta 1. GmbH	Germany	EUR	Leasing	100%	/
Isalotta 3. GmbH	Germany	EUR	Leasing	94.99%	/
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	/
Lora Grundbesitz GmbH	Germany	EUR	Leasing	100%	100%
Orco Berlin Invest GmbH	Germany	EUR	Leasing	100%	100%
Orco Germany Investment S.A.	Luxembourg	EUR	Management	100%	/
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100%	100%
ORCO Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH	Germany	EUR	Development	100%	100%
Orco Projekt 103 GmbH	Germany	EUR	Development	75%	75%
Orco Vermietungs- und Services GmbH	Germany	EUR	Management	100%	/
PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH	Germany	EUR	Development	94.8%	/
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%
Stauffenbergstr. Drei GmbH	Germany	EUR	Development	100%	100%
Tucholskystr.39/41 GmbH & Co. Grundbesitz KG	Germany	EUR	Development	100%	/
Viterra Development GmbH	Germany	EUR	Development	100%	100%
Viterra Baupartner GmbH	Germany	EUR	Development	100%	100%
Viterra Erste PEG mbH	Germany	EUR	Development	100%	100%
Viterra Zweite PEG mbH	Germany	EUR	Development	100%	100%
Viterra Vierte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Fünfte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100%	100%
Westendstr. 28 Ffm GmbH	Germany	EUR	Development	94%	94%



**NOTE 32 LIST OF THE JOINT-VENTURES**
**32.1 Kosc S.à r.l.**

The Group has a 50% interest in Kosc 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 2006) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2007	December 2006
Non-current assets	-	-
Current assets	559	779
<b>Assets</b>	<b>559</b>	<b>779</b>
Non-current liabilities	154	154
Current liabilities	86	66
<b>Liabilities</b>	<b>240</b>	<b>220</b>
Income	6	512
Expenses	-50	-204
<b>Profit after income tax</b>	<b>-44</b>	<b>308</b>

**32.2 Kosc Development s.r.o.**

The Group has a 50% interest in a joint venture, Kosc 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 2006) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2007	December 2006
Non-current assets	617	358
Current assets	8 414	20 406
<b>Assets</b>	<b>9 031</b>	<b>20 764</b>
Non-current liabilities	-	-
Current liabilities	2 896	18 277
<b>Liabilities</b>	<b>2 896</b>	<b>18 277</b>
Income	25 524	2 642
Expenses	-20 501	-2 169
<b>Profit after income tax</b>	<b>5 023</b>	<b>473</b>

### 32.3 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 of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2007	December 2006
Non-current assets	3 893	-
Current assets	52	3 183
<b>Assets</b>	<b>3 945</b>	<b>3 183</b>
Non-current liabilities	347	269
Current liabilities	-	1
<b>Liabilities</b>	<b>347</b>	<b>270</b>
Income	481	-
Expenses	-68	-3
<b>Profit after income tax</b>	<b>413</b>	<b>-3</b>

### 32.4 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 of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	December 2007	December 2006
Non-current assets	43	402
Current assets	4 654	891
<b>Assets</b>	<b>4 697</b>	<b>1 293</b>
Non-current liabilities	218	0
Current liabilities	1 927	5
<b>Liabilities</b>	<b>2 145</b>	<b>5</b>
Income	17	-
Expenses	-52	-7
<b>Profit after income tax</b>	<b>-35</b>	<b>-7</b>

### 32.5 Luxembourg Plaza a.s. (before Orco Property a.s.)

The Group has 50% interest in a joint venture, Luxembourg Plaza a.s., which is active in the leasing sector and holds the office part of the Luxembourg Plaza project in the Czech Republic. During the year 2006, the Group has acquired the Trigranit's 50% participation

which was immediately sold to Endurance Fund. The following amounts represent the Group's 50% share (50% in 2006) of assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement

	December 2007	December 2006
Non-current assets	37 540	34 154
Current assets	5 172	2 083
<b>Assets</b>	<b>42 712</b>	<b>36 237</b>
Non-current liabilities	29 791	5 128
Current liabilities	2 660	15 472
<b>Liabilities</b>	<b>32 451</b>	<b>20 600</b>
Income	3 752	9 338
Expenses	-1 344	-3 462
<b>Profit after income tax</b>	<b>2 408</b>	<b>5 876</b>

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

The Group has a 50% 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 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	December 2007	December 2006
Non-current assets	-	-
Current assets	5 358	3 731
<b>Assets</b>	<b>5 358</b>	<b>3 731</b>
Non-current liabilities	-	0
Current liabilities	4 720	3 126
<b>Liabilities</b>	<b>4 720</b>	<b>3 126</b>
Income	38	6 250
Expenses	-22	-2 651
<b>Profit after income tax</b>	<b>16</b>	<b>3 599</b>



### 32.7 Hospitality

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 amounts 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 Court Place in Luxembourg Plaza, Sulekova, Pokrovka, Le Regina, Izabella and Andrassy.

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

	December 2007
Non-current assets	66 466
Current assets	7 040
<b>Assets</b>	<b>73 507</b>
Non-current liabilities	42 137
Current liabilities	5 591
<b>Liabilities</b>	<b>47 728</b>
Income	32 290
Expenses	-34 585
<b>Profit after income tax</b>	<b>-2 295</b>

### **NOTE 33** EVENTS AFTER BALANCE SHEET DATE

No significant events occurred after balance sheet date.

