

ORCO PROPERTY GROUP
SOCIETE ANONYME
8, BOULEVARD EMMANUEL SERVAIS
L-2535 LUXEMBOURG
RCS: B 44996

CONSOLIDATED ACCOUNTS 2004

The consolidated accounts have been prepared in French. In case of differences between the French version and this translation, the French version should be retained.

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1 Company activity

The consolidated profit of 6 591 KEUR as at 31st December 2004 compared with a consolidated profit of 252 KEUR as at 31st December 2003 reflects a very good 2004 financial year for both the shareholders and the company. The price per share has grown from 19.90 EUR on 01/01/04 to 35 EUR on 31/12/04, being an increase of 76% over 12 months, the closing price on 08/04/05 was 43.60 EUR, that is a progression of 119% over 15 months. This reflects a very good 2004 year for the group.

Following the integration of IPB Real, Orco's consolidated income has drastically changed. The group has taken full advantage of the effect of the increase of the development activity both in terms of turnover and margin.

2004 has also been marked by many acquisitions that reinforce both the property side with the acquisition of a building in Prague 2 (Londynska 39), a future private clinic, the development activity portfolio through the acquisition of several lands in the Czech Republic, two buildings in Budapest (Izabella and Andrassy) intended for restoration into high range apartments and a building in Warsaw (Zlota). Finally, Orco has acquired, on behalf of the Endurance Fund, an office complex in Budapest (Atronyx).

On the capital and corporate finance level, last September the parent company has successfully issued a convertible bond amounting to 32 450 KEUR expiring in 2011 and two short-term non-convertible bonds amounting to 4 000 KEUR to finance the growth. During the year, the parent company also issued 605 751 shares out of which 231 003 gave rise to subscription in cash for a total amount of 4 948 KEUR and out of which 374 748 shares were issued following Orco Hotel Group capital restructuring and the payment of the 2003 dividend.

2 Key figures 2004

The financial year closes with a consolidated profit of 6 591 KEUR compared to 252 KEUR in 2003. The balance sheet total net assets amounts to 243 266 KEUR compared to 215 255 KEUR in 2003, which is an increase of 13% and the shareholders' equity amount to 63 639 KEUR compared to 52 969 KEUR in 2003 being an increase of 20%.

TURNOVER

The consolidated turnover as at 31/12/04, including capitalized production costs, closes at 73 102 KEUR compared to a consolidated turnover as at 31/12/03 of 23 848 KEUR. This increase reflects the successful integration of the real-estate development activities of IPB Real acquired in December 2003.

The contribution of each business line is the following:

| | <u>2004</u> | <u>2003</u> |
|------------------------------|---------------|---------------|
| | K€ | K€ |
| Offices | 1 898 | 2 091 |
| Residential | 1 752 | 1 446 |
| Development and sites | 57 052 | 12 565 |
| Hotels | 7 993 | 4 954 |
| Hotel residences | 2 529 | 1 296 |
| Others | - | 428 |
| Capitalized production costs | 1 878 | 1 068 |
| TOTAL | 73 102 | 23 848 |

Offices

Offices experienced another depressed market both in Prague and in Budapest. However, the sales teams' efforts improved the occupancy rates. The average occupancy rate over the year for the Prague offices portfolio, consisting of 6 buildings offering a rental surface of 9 443 m², was 68% but it went up to 90% in December 2004. The Budapest offices portfolio of only one building offering a rental surface of 2 531 m² experienced an average occupancy rate over the year of 73%.

Development and sites

During 2004, 617 apartments have been delivered and recognised in turnover. The acquisitions and the current projects will allow a significant increase in the apartments' delivery as from the fourth quarter of 2005.

Residential

The renting of apartments has evolved in a stable market. This business line is only represented in Prague and consists of 9 buildings with a total capacity of 78 apartments over 10 139 m² with an average occupancy rate over the year of 91%.

Hotels

Orco Hotel Collection includes 4 hotels, the Riverside Hotel in Prague, the Imperial Hotel in Ostrava, the Andrassy Hotel in Budapest and the Regina Hotel, opened last summer, in Warsaw.

Over 2004, the hotels as a whole released an average RevPar of 45 EUR. The opening of a new hotel in Poland has weighed on the average income of this business line balanced by the success of the Riverside Hotel. The average occupancy rate in 2004 reached 50%, which is a good performance bearing in mind the opening of the Regina Hotel and the renovation works for the Andrassy Hotel.

The Riverside Hotel, a member of the "Small & Luxury Hotel" chain, counts 45 rooms. Its average occupancy rate for 2004 reached 54% compared to 32% in 2003 with a RevPar at 77 EUR (49 EUR for 2003).

The Imperial Hotel counts 154 rooms. It generated an average RevPar of 37 EUR in 2004 with an average occupancy rate of 54%. The occupancy rate is stable as compared to the previous year, but the RevPar progresses by 23%, which reflects then the increase of the ADR.

The Andrassy Hotel, a member of the “Small & Luxury Hotel” chain, counts 70 rooms. Its average occupancy rate for 2004 was 53% with its RevPar at 49EUR. These figures are definitely improving, as in 2003 the occupancy rate was 29% with a RevPar at 28 EUR.

The Regina Hotel, also a member of the “Small & Luxury Hotel” chain, opened in June 2004, with 61 rooms. Its average occupancy rate was at 23% with a RevPar at 30 EUR, these figures not being representative considering the opening date of the hotel.

Hotel residences

MaMaison Residences counts 4 residences in Prague: Masaryk with 15 apartments, Belgicka with 30 apartments, Americka Park with 16 apartments and Pachtuv Palace, opened last September, with 50 apartments. One residence in Budapest (Izabella with 38 apartments) and one hotel residence in Bratislava opened last November (Residence Sulekova with 30 apartments) make up MMR’s geographical coverage at the end of 2004.

MMR’s operational performances have improved over 2004. The average occupancy rate was 63% compared to 50% in 2003 while the RevPar progressed from 37 EUR in 2003 to 54 in 2004.

Residence Masaryk realised a nice performance in 2004 with an average occupancy rate increasing from 43% up to 72%. The average RevPar rose to 55 EUR in 2004 compared to 33 EUR the previous year.

Residence Belgicka also achieved a nice 2004 financial year. The average occupancy rate went from 42% in 2003 up to 72% in 2004 while the average RevPar progressed to 55 EUR in 2004 against 34EUR in the previous year.

Residence Americka Park performed well in 2004 with an average occupancy rate of 64% and an average RevPar of 67 EUR. The comparison with 2003 is not significant due to the opening of the residence during 2003.

The Pachtuv Palace’s performance was not representative because the residence was opened only last September. During the opening months, the average occupancy rate was 12% with the average RevPar at 15 EUR.

Residence Izabella achieved a very good performance in 2004 with an average occupancy rate increasing from 62% up to 83%. The average RevPar considerably improved at 67 EUR in 2004 compared to 43 EUR in the previous year.

Residence Sulekova was opened last November. The first months were encouraging and confirmed our forecasts of an occupancy rate of 53% and a RevPar of 40 EUR for 2005.

OPERATING RESULT

2004 closes with a positive operating result of 17 490 KEUR compared to 3 196 KEUR in 2003. This operating result is influenced by the reversal of a provision on the Benice land for 10 144 KEUR. Without taking into account this impact, the operating result would be reduced to 7 346 KEUR.

FINANCIAL INCOME

The 2004 financial result is -4 718 KEUR. The charge of 5 274 KEUR corresponds to the group's global financing expenses originating from two sources; the first being bank loans with an effective interest rate of 5.38%, the second being bonds issued by the parent company with an effective interest rate of 6.11%, excluding underwriting fees and other costs amortized over the duration of the loan.

The foreign exchange result corresponds to a loss of 949 KEUR; the group recorded a financial profits of 1 505 KEUR resulting from the cash management and the proceeds from the sale of 898 Orco Hotel Group S.A. shares.

EXCEPTIONAL RESULT

The exceptional result is a loss of 403 KEUR; it corresponds to the result of the positive and negative adjustments on the opening balances of the consolidated companies.

DEBT

Orco's financial debt including bonds issued amounts to 115 828 KEUR as at 31st December 2004. The bank loans amount to 69 128 KEUR which represents a decrease of 1 505 KEUR compared to the previous year. The convertible bonds amount to 46 700 KEUR as at 31/12/2004.

The cash amount at year end was 15 647 KEUR compared to 16 160 KEUR as at 31/12/2003.

Excluding trade debtors, non-revalued assets composed of fixed assets, stocks and shares in affiliated undertakings amount to 192 985 KEUR in 2004 compared to 153 211 KEUR in 2003. The net debt ratio (100 181 KEUR) compared to the non revalued assets is 51.9% in 2004 compared to 43.9% in 2003 (67 208 KEUR/153 211 KEUR).

Compared to DTZ' fixed assets valuation, debt has evolved as follows:
for 2004: 100 181 KEUR / 249 988 KEUR i.e. 40% compared to 67 208 KEUR / 178 316 KEUR i.e. 38% in 2003.

Considering the level of the share price to date and the possibility that the company has to force the conversion of the convertible bonds into capital, the ratios below can be reasonably recalculated as follows based upon the following elements:

Net debt 2003 (bank + non convertible bonds – cash) : 67 208 KEUR

Net debt 2004 (bank + non convertible bonds – cash) : 67 731 KEUR

The debt ratio compared to non revalued assets in 2004 would be 51.9% compared to 43.9% in 2003.

The debt ratio compared to DTZ' valuation would be 40% in 2004 compared to 38% in 2003.

Compared to the market capitalization as at 31/12/2004 of 161 799 KEUR, debt represents 62% including bonds and 42% including convertible bonds.

REAL ESTATE PROPERTIES

The properties valuation as at 31st December 2004 excluding the minority interests, amounts to 249 988 KEUR compared to 178 316 KEUR in 2003.

This amount can be split up as follows:

| | |
|-----------------------|-------------|
| Offices | 68 302 KEUR |
| Residential | 23 281 KEUR |
| Development and sites | 56 057 KEUR |
| Hotels | 60 473 KEUR |
| Hotel Residences | 41 875 KEUR |

TRANSACTIONS ON OWN SHARES

Acquisition of own shares' program

In compliance with the provisions of articles 241-1 to 241-7 of the General Regulations of the AMF and with the provisions of the European regulation n°2273/2003 dated 22nd September 2003 pursuant to the directive 2003/6/CE dated 28th January 2003 also known as the "Market abuse" directive that came into force from 13th October 2004 onwards and to which it is bound, the company has issued an information note relating to the renewal of the previous acquisition of own shares' program, which received the AMF visa n° 04-944 dated 2nd December 2004. The company has proceeded, as part of the previous program to the acquisition of 45 610 own shares for a total amount of 1 147 443.47 € and to the sale of 89 728 own shares for a total amount of 1 901 725 € In addition, during the month of December 2004 it has sold, pursuant to the new regulation, 19 239 shares for a total amount of 660 041.17 € On 31st December 2004, the company owned (directly and indirectly) 1 731 shares.

Luxembourg, 11 April 2005

Jean-François OTT
Managing Director

To the Shareholders

Orco Property Group S.A.

Report of the Independent Auditors

- 1 Following our appointment by the General Meeting of Shareholders dated April 27, 2004, we have audited the consolidated accounts of Orco Property Group S.A. (the "Group") and its subsidiaries for the year ended 31 December 2004 and have read the consolidated management report. These consolidated accounts and the consolidated management report are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated accounts based on our audit and to check the consistency of the consolidated management report with them.
- 2 We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated accounts presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion of HRT Révision S.à r.l.

- 3 In our opinion, the consolidated accounts give, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the consolidated financial situation of Orco Property Group S.A. and its subsidiaries as at 31 December 2004 and of the consolidated results for the year then ended.
- 4 The consolidated management report is in accordance with the consolidated accounts.

Opinion of PricewaterhouseCoopers S.à r.l.

- 5 During the previous year, the Group has recorded the sale of two real estate projects realising a gain of EUR 3.5 million whose booking in the 2003 consolidated result was made on the basis of letters of intent whereas the legal contracts were only signed in 2004.
- 6 HRT Révision S.à r.l., in its opinion dated 22 April 2004, was of the opinion that in accordance with the principle of substance over form, even if the legal realisation of these transactions was only finalised during the first quarter of 2004, the decision of the Board of Directors to include the profit in the 2003 profit and loss account was adequate.
- 7 RSM Salustro, co-auditor with HRT Révision S.à r.l. in 2003, had expressed on 22 April 2004 an adverse opinion on the consolidated accounts of the Group as at 31 December 2003 based on the facts described in paragraph 5 which were leading to an overstatement of the 2003 net consolidated result and of the consolidated net assets of EUR 3.5 million.

- 8 As a result, the net consolidated result of the year ended 31 December 2004 is underestimated by EUR 3.5 million.
- 9 In our opinion, except for the impact of the facts set out in paragraph 5, the consolidated profit and loss account gives, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the consolidated result of Orco Property Group S.A. and of its subsidiaries for the year ended 31 December 2004.
- In our opinion, the consolidated balance sheet and related notes give, in conformity with the Luxembourg legal and regulatory requirements, a true and fair view of the consolidated financial position of Orco Property Group S.A. and of its subsidiaries as at 31 December 2004.
- 10 The consolidated management report is in accordance with the consolidated accounts.
- 11 Following our audit, some corrections and reclassifications have been made on opening balances. Without qualifying the opinion expressed above, we would like to draw your attention to note 12, which sets out the impact of these corrections and reclassifications on the opening balances.

Luxembourg, 11 April 2005

HRT Révision S.à r.l.
Réviseur d'entreprises
Represented by

PricewaterhouseCoopers S.à r.l.
Réviseur d'entreprises
Represented by

Dominique Ransquin

Amaury Evrard

Orco Property Group
CONSOLIDATED BALANCE SHEET

31 December 2004

(in thousand Euros)

The notes refer to the appendices

| | 31 December 2004 | 31 December 2003 | 31 December 2004 | 31 December 2003 |
|---|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | |
| <i>FIXED ASSETS</i> | | | | |
| Intangible assets (note 4) | 1 835 | 1 628 | 18 954 | 16 470 |
| Tangible assets (note 5) | 124 451 | 108 650 | 44 754 | 32 335 |
| Financial assets (note 6) | 506 | 138 | 390 | 307 |
| Shares in affiliated undertakings | | | 6 | 256 |
| Loans to undertakings with which the company is linked by virtue of participating interests | 2 122 | - | -3 541 | 6 078 |
| | 2 628 | 138 | -3 515 | -2 729 |
| | | | 6 591 | 252 |
| | | | 63 639 | 52 969 |
| | | | -472 | -1 201 |
| | | | 2 132 | -622 |
| | 128 914 | 110 416 | 2 696 | 6 957 |
| | | | | |
| <i>CURRENT ASSETS</i> | | | | |
| Stocks (note 7) | 54 304 | 42 795 | 46 700 | 12 735 |
| Trade debtors (note 8) | 20 702 | 21 937 | 69 128 | 70 633 |
| Tax (note 20) | 6 497 | 8 102 | 26 939 | 52 888 |
| Other debtors | 5 959 | 8 621 | 20 473 | 10 811 |
| | 87 462 | 81 455 | 7 063 | 2 566 |
| Shares in affiliated undertakings (note 9) | 9 767 | - | - | 3 457 |
| Marketable securities (note 10) | 167 | 391 | 4 687 | 4 016 |
| Cash at bank | 15 647 | 16 160 | 174 990 | 157 106 |
| | 25 581 | 16 551 | | |
| Regularisation accounts (note 15) | 1 309 | 6 833 | 281 | 46 |
| | | | | |
| TOTAL ASSETS | 243 266 | 215 255 | 243 266 | 215 255 |
| | | | | |
| SHAREHOLDER'S EQUITY AND LIABILITIES | | | | |
| <i>SHAREHOLDER'S EQUITY (note 11)</i> | | | | |
| Subscribed share capital | | | | |
| Share premium account | | | | |
| Legal reserve | | | | |
| Reserve for own shares | | | | |
| Consolidated reserves | | | | |
| Translation difference | | | | |
| Profit for the year | | | | |
| TOTAL | | | | |
| Minority interests in the profit of the year | | | | |
| Minority reserves | | | | |
| | | | | |
| PROVISIONS FOR RISKS AND CHARGES (note 13) | | | | |
| | | | | |
| <i>LIABILITIES (note 14)</i> | | | | |
| Bonds | | | | |
| Borrowings and overdrafts | | | | |
| Customers prepayments | | | | |
| Trade creditors | | | | |
| Tax liabilities | | | | |
| Amounts due to shareholders | | | | |
| Other creditors | | | | |
| | | | | |
| Regularisation accounts (note 15) | | | | |
| | | | | |
| TOTAL LIABILITIES | | | | |
| | | | | |

Orco Property Group
CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2004
(in thousand Euros)

| | 31 December | 31 December |
|---|--------------------|--------------------|
| | 2004 | 2003 |
| Sales (note 16) | 71 224 | 22 780 |
| Offices | 1 898 | 2 091 |
| Residential | 1 752 | 1 446 |
| Hotel Residences | 2 529 | 1 296 |
| Hotels | 7 993 | 4 954 |
| Other services | - | 428 |
| Development and sites | 57 052 | 12 565 |
| Work performed by the undertaking for its own purposes and capitalised (note 17) | 1 878 | 1 068 |
| Other operating income | 13 084 | 3 026 |
| Gain on disposal of fixed assets | 405 | 2 455 |
| Reversal of operating provisions (note 24) | 11 418 | 248 |
| Other operating income | 1 261 | 323 |
| Cost of sales | -50 632 | -16 244 |
| Staff costs | -7 726 | -4 059 |
| Other operating charges | -2 636 | -482 |
| Taxes | -611 | -184 |
| Other operating charges | -2 025 | -298 |
| Amortisation, depreciation and provisions | -7 702 | -2 893 |
| Operating profit | 17 490 | 3 196 |
| Other interest and similar income | 1 505 | 675 |
| Foreign exchange (loss)/profit | -949 | 288 |
| Other interest and similar charges | -5 274 | -6 638 |
| Net Financial result (note 18) | -4 718 | -5 675 |
| Profit on ordinary activities before tax | 12 772 | -2 479 |
| Extraordinary (loss)/profit (note 22) | -403 | 172 |
| Corporate tax (note 20) | -6 250 | 1 358 |
| Consolidated (loss)/profit after tax | 6 119 | -949 |
| Minority interests (note 19) | -472 | -1 201 |
| PROFIT FOR THE YEAR – PART OF THE GROUP | 6 591 | 252 |

NOTE 1 - GENERAL

Orco Property Group S.A. (hereafter the “Company” or the “Group”) was incorporated on 9th September 1993, in the form of a public limited company for an unlimited term.

The company’s business mainly focuses on the one hand on management of property companies based in the Czech Republic, Hungary, Slovakia and Poland and on the other hand on residential buildings promotion in the Czech Republic. The group diversified further with hotel activities and hotel residences.

All amounts are expressed in thousands Euros (K€) unless otherwise indicated.

NOTE 2 – CONSOLIDATION BASIS AND PRINCIPLES

a) Consolidation scope

The group’s consolidated financial statements include the accounts of the following subsidiaries:

| Company | Country | Currency | % of shareholding | |
|-------------------------------|----------------|----------|-------------------|----------|
| | | | 31.12.04 | 31.12.03 |
| 1. Sportovni, a.s. | Czech Republic | CZK | 100% | 100% |
| Americka 1, a.s. | Czech Republic | CZK | 100% | 100% |
| Americka 33, a.s. | Czech Republic | CZK | 100% | 100% |
| Americka Park, a.s. | Czech Republic | CZK | 81.38% | 70.92% |
| Americka-Orco, a.s. | Czech Republic | CZK | 100% | 100% |
| Anglicka 26, s.r.o. | Czech Republic | CZK | 100% | 100% |
| Belgicka - Na Kozacce, s.r.o. | Czech Republic | CZK | 100% | 100% |
| Centrum Agibor, a.s. | Czech Republic | CZK | 100% | 100% |
| IPB Real Development, a.s. | Czech Republic | CZK | 100% | 100% |
| IPB Real Reality, a.s. | Czech Republic | CZK | 100% | 100% |
| IPB Real, a.s. | Czech Republic | CZK | 100% | 100% |
| IPB Real, s.r.o. | Czech Republic | CZK | 100% | 100% |
| Iskola project 68 Kft. | Hungary | HUF | 100% | - |
| Izabella 62-64 Kft. | Hungary | HUF | 100% | - |
| Janackovo Nabrezi 15, s.r.o. | Czech Republic | CZK | 95% | 76.50% |
| Jihovychodni Mesto, a.s. | Czech Republic | CZK | 100% | 100% |
| Kosic S.à r.l. | Luxembourg | EUR | 50% | - |
| Kosik Development, s.r.o. | Czech Republic | CZK | 50% | - |
| Londynska 26, a.s. | Czech Republic | CZK | 100% | 100% |
| Londynska 41, s.r.o. | Czech Republic | CZK | 100% | 100% |
| Machova-Orco, a.s. | Czech Republic | CZK | 100% | 100% |
| MaMaison Résidences S.A. | Luxembourg | EUR | 81.38% | 70.92% |
| Manesova 28, a.s. | Czech Republic | CZK | 100% | 100% |
| MMR Management, s.r.o. | Czech Republic | CZK | 81.38% | - |
| Nad Petruskou, s.r.o. | Czech Republic | CZK | 100% | 100% |
| Oak Mill, a.s. | Czech Republic | CZK | 50% | - |
| Orco Alfa, s.r.o. | Czech Republic | CZK | 100% | - |
| Orco Aparthotel S.A. | Luxembourg | EUR | 81.38% | 70.92% |
| MaMaison Bratislava, s.r.o. | Slovakia | SKK | 81.38% | 70.92% |
| Orco Budapest Rt. | Hungary | HUF | 100% | 100% |

| | | | | |
|---|----------------|-----|--------|--------|
| Orco Development Slovakia, s.r.o. | Slovakia | SKK | 100% | - |
| Orco Development, a.s. | Czech Republic | CZK | 100% | - |
| Orco Development Kft. | Hungary | HUF | 100% | - |
| Orco Estate Slovakia, s.r.o. | Slovakia | SKK | 100% | - |
| Orco Estate, s.r.o. | Czech Republic | CZK | 100% | - |
| Orco Germany S.A. | Luxembourg | EUR | 100% | - |
| Orco Hospitality Services Sp. z o.o. | Poland | PLN | 95% | - |
| Orco Hotel Collection S.A. | Luxembourg | EUR | 95% | 100% |
| Orco Hotel Development Sp. z o.o. (Diana) | Poland | PLN | 81.38% | - |
| Orco Development Sp. z o.o. | Poland | PLN | 100% | - |
| Orco Hotel Development, a.s. | Czech Republic | CZK | 95% | 76.50% |
| Orco Hotel Group S.A. | Luxembourg | EUR | 95% | 76.50% |
| Orco Hotel Management Kft. | Hungary | HUF | 95% | 76.50% |
| Orco Hotel Management, s.r.o. | Czech Republic | CZK | 95% | 76.50% |
| Orco Hotel Project Sp. z o.o. | Poland | PLN | 95% | - |
| Orco Hotel Project, a.s. | Czech Republic | CZK | 95% | 76.50% |
| Orco Hotel Rt. | Hungary | HUF | 95% | 76.50% |
| Orco Hungary Kft. | Hungary | HUF | 100% | - |
| Orco Investment, a.s. | Czech Republic | CZK | 100% | - |
| Orco Investment Kft. | Hungary | HUF | 100% | - |
| Orco Poland Sp. z o.o. | Poland | PLN | 100% | - |
| Orco Prague, a.s. | Czech Republic | CZK | 100% | 100% |
| Orco Project Management, s.r.o. (previously Americka 17) | Czech Republic | CZK | 100% | 100% |
| Orco Project Sp. z o.o. | Poland | PLN | 100% | - |
| Orco Project Szervezo Rt. | Hungary | HUF | 100% | 100% |
| Orco Asset Management, a.s. | Czech Republic | CZK | 100% | 100% |
| Orco Property Sp. z o.o. | Poland | PLN | 100% | - |
| Orco Property Start, a.s. | Czech Republic | CZK | 95% | 76.50% |
| Orco Property, a.s. | Czech Republic | CZK | 50% | 50% |
| Orco Reality, a.s. | Czech Republic | CZK | 100% | - |
| Orco Slovakia, s.r.o. | Slovakia | SKK | 100% | - |
| Orco Strategy, a.s. | Czech Republic | CZK | 100% | - |
| Orco Strategy Sp. z o.o. | Poland | PLN | 100% | - |
| Orco Trade, s.r.o. | Czech Republic | CZK | 100% | - |
| Orco Vagyonkezeselo Kft. | Hungary | HUF | 100% | 100% |
| Orco Vinohrady, a.s. | Czech Republic | CZK | 100% | 100% |
| Orco Warsaw Sp. z o.o. | Poland | PLN | 95% | 76.50% |
| Pachtuv Palac, s.r.o. | Czech Republic | CZK | 81.38% | 70.92% |
| Residence Belgicka, s.r.o. | Czech Republic | CZK | 81.38% | 70.92% |
| Residence Izabella Rt. | Hungary | HUF | 81.38% | 70.92% |
| Residence Masaryk, a.s. | Czech Republic | CZK | 81.38% | 70.92% |
| Révay 10 Kft. | Hungary | HUF | 100% | 100% |
| Rybalkova 12, s.r.o. | Czech Republic | CZK | 100% | 100% |
| Vinohrady S.à r.l. | France | EUR | 100% | 100% |
| Zahrebska 35, s.r.o. | Czech Republic | CZK | 100% | 100% |

The core business of the consolidated companies is to manage property investments, to develop real estate properties, to manage financial investments and to provide services in the real-estate field.

The financial year of all the companies included in the consolidation scope ends on the 31st of December.

All companies, included in the consolidation scope are controlled solely by the parent company and therefore fully consolidated except for Orco Property, a.s., which is subject to a 50% Joint Venture with Trigranit, Kosic S.à r.l. and Kosic Development, s.r.o., which are subject to a 50% Joint Venture with GE Golub Capital, and Oak Mill, a.s., which is subject to a 50% Joint Venture with a private Czech investor. These entities are proportionally consolidated.

The following subsidiaries, without activity and not significant for the group, as at 31st December 2004, are not consolidated:

| | % of shareholding | | |
|-----------------------------|-------------------|------------|------------|
| | 31.12.2004 | 31.12.2003 | 31.12.2002 |
| - Orco Bucharest | 100% | 96% | 96% |
| - Orco Zagreb S.à r.l. | 100% | 100% | 100% |
| - Endurance Management Cy | 100% | 50% | |
| - Prague Real Estate 1 S.A. | 100% | | |
| - MMR Yugoslavia | 100% | | |
| - Orco Yugoslavia | 100% | | |

In addition, Atronyx Befektetési Kft, a company acquired with the intention of resale in the short term to Endurance Fund, is not consolidated and is recorded as current asset under the heading “shares in affiliated undertakings”.

b) Consolidation principles

The significant consolidation principles used to establish the consolidated accounts can be summarized as follows:

(i) Currencies conversion

a) Functional currency and presentation currency

Elements included in the financial statements of each subsidiary of the Group are translated into the currency of the economical environment in which each entity operates (the functional currency). The consolidated accounts are presented in EURO, which is the functional and presentation currency of the Company.

b) Transactions and balances

Transactions in foreign currencies are converted into the functional currency using the exchange rate in force on the dates of the transactions. Profits and losses resulting from the settlement of these operations as well as from the conversion at period end exchange rate of monetary assets and liabilities denominated in foreign currencies are recorded in the profit

and loss account. Non-monetary items expressed in foreign currencies are converted at historical exchange rate.

c) Conversion of subsidiaries

Results as well as the financial situation of the Group's consolidated subsidiaries whose functional currency differs from the presentation currency are converted into the functional currency according to the following rules:

- Assets and liabilities are converted using the closing date exchange rate;
- Income and charges are converted using the average rate for the period;
- All conversion differences are included in the « translation difference » account in the shareholder's equity.

(ii) Deferred tax

Deferred tax assets and liabilities are recorded to take into account temporary differences between the accounting of certain charges and revenues due to restatements for compliance with accounting rules and their inclusion in the tax base. Deferred tax assets in excess of deferred tax liabilities or deferred tax assets on losses carried forward are recorded in the balance sheet if the Company has a reasonable assurance to recover it. The liability method of tax allocation is used.

(iii) Acquisition goodwill and evaluation goodwill

Entries in the scope of consolidation are registered at their fair value. The difference between the value upon entry in the consolidated balance sheet and the accounting value of the same item in the balance sheet of the Company under control represents goodwill on evaluation. Evaluation goodwill is mainly allocated to buildings, based on property valuations. The difference between the acquisition cost of shares and the total evaluation of assets and liabilities identified on acquisition date represents goodwill on acquisition. Acquisition goodwill realised at the time of additional purchases of minority interests is deducted from the reserves.

No deferred tax liabilities have been recognised on evaluation goodwill. Indeed, all real-estate assets are held by a specific subsidiary owned by the Company or by one of its Luxembourg subsidiary, which are fully taxable resident companies. Consequently, any capital gain realised on the sale of shareholdings are exempted for tax purposes (according to the Grand-Ducal Decree of 21 December 2001) as long as the Company or the Luxembourg subsidiary holds or undertakes to hold the respective participation for an uninterrupted period of at least 12 months, and during this period the participation held does not fall below 10% or an acquisition price of less than EUR 6 million. Furthermore, to qualify for the capital gain exemption, the subsidiary has to be either a fully taxable joint-stock company that is fully liable to a tax corresponding to the Luxembourg corporate tax (i.e. min 11% on a similar taxable basis) or a company that is resident of a Member state of the European Union and falling under Article 2 of the Parent / Subsidiary Directive dated July 1990. In case of liquidation of the subsidiary, the income derived from this operation would be considered as dividend that could be tax exempted according to Article 166 of the Luxembourg Income Tax Law. The conditions that have to be fulfilled in order to benefit from the tax exemption are the same than for the capital gain exemption regime except that the acquisition price has to reach at least EUR 1.2 million.

(iv) Clearance of intercompany accounts and transactions

All intercompany accounts and intercompany transactions are eliminated.

(v) Minority interests

Minority interests are calculated on the basis of their share in the capital and in the profit and loss.

(vi) Capital increase costs

Capital increase costs, net of tax, are deducted from the share premium amount.

NOTE 3 - MAIN ACCOUNTING POLICIES AND METHODS

General principles

The consolidated accounts of the Company and of its subsidiaries are based on accounting principles generally accepted in Luxembourg.

The consolidated annual accounts as at 31st December 2003 have been established according to generally accepted accounting principles in France. This change in accounting framework did not have any impact on the financial situation as at 1st January 2004, nor on the presentation of the Group's accounts.

Some minor reclassifications have been carried out in the 2003 accounts to ensure a better comparability of the financial data.

Conversion of foreign currencies

Non monetary assets and liabilities of the subsidiaries denominated in currencies other than the reporting currency of the subsidiaries are converted into the currency of these subsidiaries at the exchange rates published by the National Banks of the respective countries at the beginning of the month of the transaction.

Monetary assets and liabilities are converted at the closing date exchange rate.

Unrealized foreign exchange differences resulting from this conversion are recorded in the profit and loss account. Transactions are converted at the exchange rate in force at the beginning of the month of the transaction.

Intangible assets

Intangible assets are recorded at acquisition price or cost price less amortization. Amortization is calculated on a straight-line basis over the following period based on the estimated useful life:

- Set-up costs 4 years
- Software 4 years

Tangible assets

The tangible assets of the Company and its subsidiaries are recorded at purchase price plus incidental expenses and, for buildings, renovation costs. Borrowing costs incurred during building renovations, i.e. between purchase and opening are included in the acquisition cost.

They mainly include buildings held by the Group and rented or intended to be rented.

They are depreciated on a straight-line basis over the following periods:

| | |
|----------------------------------|--------------|
| Usufruct on land | 99 years |
| Buildings | 45 years |
| Plant and machinery | 4 - 15 years |
| Office equipment and IT hardware | 3 - 4 years |

A provision may be booked if the value at the end of the period is higher than the market value determined by an expert.

Financial assets

Except for loans, financial assets are recorded at the lower of their acquisition cost or their fair value. A provision is made when the book value at the period end is higher than the realisable value of the investment.

Stocks

Stocks include real estate projects under construction and intended to be sold as well as buildings held with the intention of resale. They are valued at their purchase price or their construction costs plus incidental expenses, part of the general costs reallocated to these projects and renovation costs. Financial costs incurred during building renovations, between purchase and completion, are booked in the acquisition cost.

A provision is made when the book value at the closing date is higher than the estimated realisable value.

Debtors

Current assets debtors are recorded at nominal value. They are written down when their estimated realisable value is lower than their nominal value.

Premiums on convertible bonds and other loans issues costs

Premiums on convertible bonds and other costs linked to the issue of loans are accounted for in accruals and amortised over the period of the loan on a straight-line basis.

Marketable securities

Marketable securities are accounted for at the lowest of their acquisition price and of their market value.

NOTE 4 – INTANGIBLE ASSETS

| | Formation expenses | Softwares | Usable rights and other intangible assets | Total |
|---|-----------------------|-----------|---|---------|
| | K€ | K€ | K€ | K€ |
| <u>Acquisition value</u> | | | | |
| Beginning of the year | 1 295 | 476 | 1 283 | 3 054 |
| Movements during the year | | | | |
| - Acquisitions | 18 | 8 | 1 729 | 1 755 |
| - Reductions | - | - | (1 015) | (1 015) |
| - Translation differences | - | 25 | (23) | 2 |
| - Reclassification | - | 2 | - | 2 |
| End of the year | 1 313 | 511 | 1 974 | 3 798 |
| <u>Amortisation</u> | | | | |
| Beginning of the year | (902) | (277) | (247) | (1 426) |
| Movements during the year | | | | |
| - Amortisation | (389) | (62) | (86) | (537) |
| End of the year | (1 291) | (339) | (333) | (1 963) |
| <u>Net book value at the end of the year</u> | | | | |
| | 22 | 172 | 1 641 | 1 835 |
| <u>Net book value at the end of the previous year</u> | | | | |
| | 393 | 199 | 1 036 | 1 628 |

NOTE 5 – TANGIBLE ASSETS

| | Lands | Buildings | Other installations, machinery and furniture | Advances paid and construction in progress | Total |
|---|--------------|------------------|---|---|--------------|
| | K€ | K€ | K€ | K€ | K€ |
| <u>Acquisition value</u> | | | | | |
| Beginning of the year | 19 551 | 84 127 | 6 162 | 10 039 | 119 879 |
| Movements during the year | | | | | |
| Acquisitions | 1 133 | 27 701 | 3 080 | 8 342 | 40 256 |
| Disposals | - | (1 051) | (1 045) | (15 003) | (17 099) |
| Reclassification | (11 690) | (6 834) | 403 | 9 989 | (8 132) |
| Translation difference | 29 | 616 | 348 | - | 993 |
| End of the year | 9 023 | 104 559 | 8 948 | 13 367 | 135 897 |
| <u>Amortisation</u> | | | | | |
| Beginning of the year | - | (8 418) | (2 811) | - | (11 229) |
| Movements during the year | | | | | |
| Amortisation | (20) | (1 478) | (357) | - | (1 855) |
| Disposals | - | - | - | - | - |
| Reclassification | - | 1 131 | - | - | 1 131 |
| Translation difference | - | 507 | - | - | 507 |
| End of the year | (20) | (8 258) | (3 168) | - | (11 446) |
| <u>Net book value at the end of the year</u> | 9 003 | 96 301 | 5 780 | 13 367 | 124 451 |
| <u>Net book value at the end of the previous year</u> | 19 551 | 75 709 | 3 351 | 10 039 | 108 650 |

The amount mentioned in the above table under “reclassification” mainly corresponds to the transfer of the amount corresponding to the acquisition costs of the lands and buildings in construction, possibly impacted by past value adjustments, from the tangible assets account to the stocks account according to the classification linked to the intended use of the asset.

Lands include perpetual usufruct rights of 909 KEUR. These rights are amortised over 99 years, the usufruct length.

NOTE 6 – FINANCIAL ASSETS

Financial assets are composed of participations in non-active subsidiaries which are not significant for the Group (refer to the note 2 a) on the consolidation scope).

Loans related to participations are mainly composed of loans granted to subsidiaries that Orco Property Group holds at 50% and that are consolidated according to the proportional method.

NOTE 7 – STOCKS

The stocks mainly correspond to on the one hand 50 % of the office part of the Luxembourg Plaza project (the Orco Property company consolidated under proportional method: cf. note 2 a), and 50% of the Dubovny Mlyn project, both intended to be sold after completion, and, on the other hand to the development projects, including lands of the subsidiary IPB Real acquired in 2003.

| | <i>Gross Value</i> | | <i>Provisions</i> | | <i>Net Value</i> | |
|----------------------------|--------------------|---------------|-------------------|-----------------|------------------|---------------|
| | K€ | | K€ | | K€ | |
| | 31/12/2004 | 31/12/2003 | 31/12/2004 | 31/12/2003 | 31/12/2004 | 31/12/2003 |
| Raw material inventories | 129 | 108 | - | - | 129 | 108 |
| Work in progress | 59 429 | 46 067 | (7 529) | (11 203) | 51 900 | 34 864 |
| Semi-finished products | 3 552 | 8 080 | (1 668) | (796) | 1 884 | 7 284 |
| Goods | 391 | 539 | - | - | 391 | 539 |
| Total - Inventories | 63 501 | 54 794 | (9 197) | (11 999) | 54 304 | 42 795 |

NOTE 8– DEBTORS

| Gross value | | Provisions for doubtful debts | | Net value | |
|-------------|------------|-------------------------------|------------|------------|------------|
| (K€) | | (K€) | | (K€) | |
| 31/12/2004 | 31/12/2003 | 31/12/2004 | 31/12/2003 | 31/12/2004 | 31/12/2003 |
| 28 475 | 29 364 | (7 773) | (7 427) | 20 702 | 21 937 |

All debts are due within one year.

NOTE 9– SHARES IN AFFILIATED UNDERTAKINGS

The Company Atronyx Befektetési Kft was acquired for an amount of 9 767 KEUR with the intention to resale it in the short-term to Endurance Fund.

NOTE 10 – MARKETABLE SECURITIES

| | 31 December 2004 | 31 December 2003 |
|-----------------------|-------------------------|-------------------------|
| | K€ | K€ |
| Marketable securities | 101 | 135 |
| Own shares | 66 | 256 |
| | 167 | 391 |

The Group holds 1 926 own shares and 216 subscription rights as at 31st December 2004.

NOTE 11 – SHAREHOLDER’S EQUITY

Change in shareholder’s equity

| | Share capital (1) K€ | Share premium account K€ | Legal reserve (2) K€ | Reserve for own shares (3) K€ | Consolidated reserves K€ | Translation difference K€ | Consolidated company shares K€ | Profit/loss for the year K€ | Total K€ |
|---|----------------------------|--------------------------------|-------------------------------|--|--------------------------------|---------------------------------|---|--------------------------------------|-------------|
| Situation as at 31st December 2002 | 11 844 | 17 997 | 45 | 140 | 2 024 | -273 | 374 | 2 520 | 34 671 |
| Appropriation of the profit (loss) of the 2002 financial year | | | | | 2 520 | | | -2 520 | - |
| Allocation to reserves | | | 262 | | -262 | | | | - |
| Distribution of dividends | | | | | -1 188 | | | | -1 188 |
| Increases in share capital | 4 626 | 14 970 | | | | | | | 19 596 |
| Change in accounting method | | | | | -2 861 | | | | -2 861 |
| Capital increase costs, net of tax | | -632 | | | | | | | -632 |
| Own shares | | | | 116 | -116 | | | | - |
| Transfers | | | | | 374 | | -374 | | - |
| Previous loss supported by minority shareholders | | | | | 4 848 | | | | 4 848 |
| Translation difference | | | | | | -2 456 | | | -2 456 |
| Negative goodwill | | | | | 739 | | | | 739 |
| Consolidated profit for the year 01.01-31.12.03 | | | | | | | | 252 | 252 |
| Situation as at 31st December 2003 | 16 470 | 32 335 | 307 | 256 | 6 078 | -2 729 | 0 | 252 | 52 969 |
| Appropriation of the profit (loss) of the 2003 financial year | | | 83 | | 169 | | | -252 | 0 |
| Increases in share capital | 2 484 | 12 649 | | | | | | | 15 133 |
| Capital increase costs, net of tax | | -230 | | | | | | | -230 |
| Correction of mistakes | | | | | -3 356 | -1 507 | | | -4 863 |
| Translation difference | | | | | | 721 | | | 721 |
| Allocation to reserves | | | | -250 | 250 | | | | 0 |
| Dividend | | | | | -1 826 | | | | -1 826 |
| Goodwill on acquisition (see note 19) | | | | | -2 631 | | | | -2 631 |
| Change in consolidation basis | | | | | -2 225 | | | | -2 225 |
| Consolidated profit for the year 1.1.-31.12.2004 | | | | | | | | 6 591 | 6 591 |
| Situation as at 31 st December 2004 | 18 954 | 44 754 | 390 | 6 | -3 541 | -3 515 | 0 | 6 591 | 63 639 |

- (1) As at 31st December 2004, the subscribed capital of the Company is 18 953 578.40 EUR represented by 4 622 824 shares without nominal value. Share capital has been increased in 2004 by 2 483 579.10 EUR (605 751 new shares). The authorised capital is EUR 50 million.
- (2) In accordance with the Luxembourg company law, the Company is required to allocate a minimum of 5 % of the annual net non-consolidated profit to a legal reserve until this reserve equals 10 % of the issued share capital. The legal reserve is not available for distribution.
- (3) In accordance with the Luxembourg company law, the Company constituted a 6 KEUR unavailable reserve related to the 216 own shares and by 216 subscription rights attached classified in marketable securities and held by Orco Property Group.

NOTE 12 – RECLASSIFICATIONS AND CORRECTIONS OF ERRORS

Following the audit of the consolidated accounts as at 31st December 2004, reclassifications and corrections of errors have been booked. They mainly concern:

- the consolidated reserves: transfer to the reserves of minority shareholders for - 2 473 KEUR;
- the translation difference: correction linked to the application of the functional currency in 2003 of -1 507 KEUR;
- and the tangible assets and stocks: reclassification of buildings and lands in stocks based on their final use, corrections of accumulated amortisation and impact of the application of the functional currency.

NOTE 13 – PROVISIONS FOR RISKS AND CHARGES

The change in provisions for risks and charges is:

| In K€ | 31/12/03 | Value adjustments | 31/12/04 |
|-------------------------------------|--------------|-------------------|--------------|
| Provisions for guarantees given | 4 609 | (4 260) | 349 |
| Provisions for risks and litigation | 1 360 | (871) | 489 |
| Provisions for repairs | 525 | (64) | 461 |
| Other provisions | 463 | 934 | 1 397 |
| Total | 6 957 | (4 261) | 2 696 |

The evolution of the risks and litigation that the Group is facing is the following:

- Opera Business Center (Budapest)

A subsidiary of the Company, Orco Budapest Rt, had litigation about the validity of the ownership of a building it holds. An out of court settlement had been negotiated during the year. This negotiation fetched up during the first quarter 2005 with the payment of an amount of 1 000 000 USD. This payment comes in addition to the indemnification received in 2002 for an amount of 750 000 USD and recognised in extraordinary result at the time. The addition of these two payments compensates the loss of the asset recorded in the books as at 31st December 2004. Therefore the Group did not record any loss on this litigation and does not have to ask for the guarantee given by Orco Holding S.A..

- Fortis Bank (Nederland) N.V.

Orco Property Group has a litigation with Fortis Bank (Nederland) N.V. about the settlement of fees owed by the Company to Fortis as part of a mandate that the Company had concluded with them in 2002 for the setting up of a real estate fund and that the Company ended for services not rendered. This litigation went to the court of arbitration “Netherlands Arbitration Institute”. The elements of the file and the existence in the Company’s accounts of a payable to Fortis (120 000 EUR) allow the Group not to record an additional provision for this litigation.

Other provisions

Following the agreement signed between the Company and GECGE KOSIK INVESTORS S.à r.l. dated 12th February 2004, the Company still has to subscribe, after 31 December 2004, to two capital increases for a total amount of 3 000 EUR increased by a total share premium of 3 000 000 EUR, GECGE KOSIK INVESTORS S.à r.l. having to subscribe for 3 000 EUR without share premium. A provision has been made regarding this planned dilution in order to compensate the gain of EUR 2.2 million booked in 2003 for the sale of the Kotic S.à r.l. shares to Orco Property Group. During the first quarter 2005, the Company proceeded to a further capital increase of 2 500 EUR and a share premium of 2 500 000 EUR.

NOTE 14 - DEBTS

The residual debts terms are as follows:

| | 31/12/04 | Less than | 1 year to | More than | Total |
|---------------------------|-----------------|------------------|------------------|------------------|----------------|
| | In K€ | 1 year | 5 years | 5 years | |
| Bonds | | 14 000 | 250 | 32 450 | 46 700 |
| Borrowings and overdrafts | | - | 16 117 | 53 011 | 69 128 |
| Trade creditors | | 20 473 | - | - | 20 473 |
| Partial payments received | | 26 939 | - | - | 26 939 |
| Tax liabilities | | 6 495 | 568 | - | 7 063 |
| Other creditors | | 4 687 | - | - | 4 687 |
| Total | | 72 594 | 16 935 | 85 461 | 174 990 |

| | 31/12/03 | Less than | 1 year to | More than | Total |
|-----------------------------|-----------------|------------------|------------------|------------------|----------------|
| | In K€ | 1 year | 5 years | 5 years | |
| Bonds | | 2 735 | 10 000 | - | 12 735 |
| Borrowings and overdrafts | | 15 391 | 35 970 | 19 272 | 70 633 |
| Debts on fixed assets | | 6 349 | - | - | 6 349 |
| Trade creditors | | 4 462 | - | - | 4 462 |
| Partial payments received | | 52 888 | - | - | 52 888 |
| Tax liabilities | | 2 566 | - | - | 2 566 |
| Amounts due to shareholders | | 3 457 | - | - | 3 457 |
| Other creditors | | 4 016 | - | - | 4 016 |
| Total | | 91 864 | 45 970 | 19 272 | 157 106 |

As at 31st December 2004, all borrowings and overdrafts were guaranteed by mortgages on the buildings and/or secured by the shares of the companies owning those buildings or participations.

Interests payable on bonds and to credit institutions are included under the heading “other creditors”.

Bonds correspond to the following issues:

| Type of bond | Date of issue | Number of bonds | Interest rate | Maturity | 31/12/04 in K€ |
|---------------------|----------------------|------------------------|----------------------|-----------------|-----------------------|
| Non convertible | 12/2003 | 10 000 | 5.5 % | 12/2005 | 10 000 |
| Non convertible | 02/2004 | 3 000 | 6% | 04/2005 | 3 000 |
| Non convertible | 04/2004 | 1 000 | 5.5% | 04/2005 | 1 000 |
| Non convertible | 06/2004 | 250 | 6% | 06/2006 | 250 |
| Convertible | 09/2004 | 32 450 | 5.5% | 12/2011 | 32 450 |
| | | | | | 46 700 |

NOTE 15 – REGULARISATION ACCOUNTS

“Assets” regularisation accounts mainly consist of prepayments made to suppliers regarding some construction contracts and of premiums on issued bonds.

“Liabilities” regularisation accounts mainly consist of rents received in advance.

NOTE 16 - SALES

Geographical analysis of sales:

| | 31/12/04 | 31/12/03 |
|----------------|-----------------|-----------------|
| In K€ | | |
| Czech Republic | 66 674 | 20 326 |
| Hungary | 3 531 | 2 108 |
| Slovakia | 17 | 39 |
| Poland | 854 | - |
| Luxembourg | 143 | 303 |
| France | 5 | 4 |
| TOTAL | 71 224 | 22 780 |

NOTE 17 – WORK PERFORMED BY THE UNDERTAKING FOR ITS OWN PURPOSES AND CAPITALISED

The capitalised production corresponds to services performed by the Group for its own purpose without margin (real-estate promotion for own purpose). This amount of capitalised production also includes survey costs incurred during the year of signature of an acquisition contract.

NOTE 18 - FINANCIAL RESULT

The financial result is represented by interest paid on bank loans and bonds as well as realised and unrealised foreign exchange translation results.

It also includes a net profit of 335 KEUR realised on the sale of OHG shares to OHG as part of the stock options exercised by one of the minority shareholders and a net profit of 225 KEUR realised on the sale of own shares and subscription rights.

NOTE 19 – MINORITY INTERESTS

As compared to 2003 and following the capital restructuring of the subsidiary Orco Hotel Group S.A., the Group's holding percentage went up to 95%. This transaction gave rise to a goodwill on acquisition of 2 631 KEUR deducted from the reserves.

NOTE 20 – TAX

| | K€ | K€ |
|--------------------------|----------------|--------------|
| | 2004 | 2003 |
| Current tax | (3 708) | (760) |
| Deferred tax | (2 542) | 2 118 |
| Tax profit/charge | (6 250) | 1 358 |

| | K€ | K€ |
|----------------------------|--------------|--------------|
| | 2004 | 2003 |
| Advances paid | 4 209 | 2 058 |
| Tax debts | (6 495) | (2 079) |
| Assets – deferred tax | 2 288 | 6 044 |
| Liabilities – deferred tax | (568) | (487) |
| Net tax debt/credit | (566) | 5 536 |

As at 31st December 2004, the total tax charge is 6 250 KEUR composed of a tax on profits mainly realised through the IPB's promotion activity in 2004. The tax rate in the Czech Republic on this taxable profit is 28%. The balance is mainly composed of deferred tax assets written off due to their non-recoverability.

NOTE 21 – DIRECTORS' REMUNERATION

The remuneration paid to the directors for 2004 amounts to 766 K€ In addition, the board members receive a 500 EUR fee for each board meeting they attend. The Company did not grant any advance nor loans to the board members and does not finance any pension plan in their favour.

NOTE 22 –EXTRAORDINARY RESULT

The extraordinary result is composed of a net charge of 403 KEUR mainly linked to the corrections of errors in the opening balances of the consolidated companies.

NOTE 23 – OFF BALANCE SHEET COMMITMENTS

Stock-options:

The options granted to employees and not yet exercised are the following:

- 6 000 shares in favour of Mr. Dragan Lazukic in three instalments of 2 000 shares each, to be exercised between 2002 and 2005 at a price respectively of 20 EUR, 25 EUR and 30 EUR per share.
- 6 000 shares in favour of Mr. Alès Vobruba in three instalments of 2 000 shares each, to be exercised between 2002 and 2005 at a price respectively of 20 EUR, 25 EUR and 30 EUR per share.
- 3 000 shares in favour of Mr. Pavel Klimes in two instalments of 2 000 and 1 000 shares, to be exercised between 2004 and 2006 at a price of respectively 25 EUR and 30 EUR per share.
- 3 000 shares in favour of Mr. Verek Machuta in two instalments of 1 500 shares each, to be exercised between 2004 and 2006 at a price of respectively 25 EUR and 30 EUR per share.

Guarantees given:

The following bank loans have been taken out with first ranking financial institutions and require two types of guarantees:

- Mortgage on the buildings,
- Pledge of shares of the companies owning those buildings.

| Company | Buildings | Borrowings and overdrafts | | Maturity | Fixed rate F | Guarantee | Bank |
|---------------------------|--------------------|---------------------------|----------------------|-------------|-----------------|------------|--------------------------|
| | | in K€ as at 31.12.04 | in K€ as at 31.12.03 | | Variable rate V | | |
| Prague: | | | | | | | |
| Residence Masaryk | Jana Masaryk 40 | 1 005 | 1 075 | 2018 | V | P+M | Ceska Sporitelna |
| Residence Belgicka | Residence Belgicka | 2 391 | 2 543 | 2018 | V | P+M | Ceska Sporitelna |
| Americka Park | Residence Am Park | 1 675 | 1 752 | 2018 | V | P+M | Raiffeisenbank as |
| Americka 33 | no building | - | 3 615 | 2004 | V | P | CSOB |
| Americka 33 | no building | - | 5 717 | 2007 | V | P | CSOB |
| IPB Real AS | no building | 6 101 | - | 2006 | F | P | CSOB |
| Pachtuv Palac | Pachtuv Palac | 10 763 | 7 791 | 2018 | V | P+M | Ceska Sporitelna |
| ORCO Hotel Dev | Hotel Imperial | 2 903 | 2 725 | 2006 | F | P+M | Aareal Bank AG |

| | | | | | | | |
|------------------------------------|-----------------------------|---------------|---------------|-------------|----------|------------|--------------------------------|
| Janackovo nabrezi 15 | Hotel Riverside | 4 843 | 5 007 | 2008 | F | P+M | Aareal Bank AG |
| Anglicka 26 | Anglicka 26 | 168 | 172 | 2013 | F | P+M | Aareal Bank AG |
| Orco Vinohrady | Belgicka 40 | 1 570 | 1 612 | 2013 | F | P+M | Aareal Bank AG |
| Londynska 26 AS | Londynska 26 | 1 140 | 1 171 | 2013 | F | P+M | Aareal Bank AG |
| Manesova 28 | Manesova 28 | 2 239 | 2 354 | 2012 | F | P+M | Aareal Bank AG |
| Londynska 41 | Londynska 41 | 3 072 | 3 154 | 2013 | F | P+M | Aareal Bank AG |
| Americka-ORCO | Americka 11, Americka 13 | 2 342 | 2 404 | 2013 | F | P+M | Aareal Bank AG |
| Orco Property S.A. | Luxembourg Plaza | 2 017 | 1 530 | 2018 | F | P+M | VUB as |
| Zahrebska 35 | Zahrebska 35 | 1 865 | 2 201 | 2013 | F | P+M | Aareal Bank AG |
| Belgicka-Na kozacce | Na kozacce 1, Belgicka 36 | 3 755 | 3 855 | 2013 | F | P+M | Aareal Bank AG |
| Nad Petruskou | Nad Petruskou | 1 912 | 1 963 | 2013 | F | P+M | Aareal Bank AG |
| Americka 1 | Americka 1 | 2 681 | 5 607 | 2018 | V | P+M | Raiffeisenbank as |
| Oak Mill | Dubovy | 732 | - | 2006 | F | P+M | Raiffeisenbank as |
| Long term lease: | | | | | | | |
| Machova Orco | Machova 18 | 819 | 841 | 2013 | F | P+M | Aareal Bank |
| Budapest: | | | | | | | |
| Residence Izabella | Izabella | 2 643 | 2 806 | 2015 | V | P+M | Rheinhyp AG |
| ORCO Hotel Rt. | Hotel Andrassy | 4 086 | 4 494 | 2011 | F | P+M | Rheinhyp AG |
| Orco Revay | Revay | 1 478 | 1 676 | 2006 | V | P+M | Raiffeisen Bk Rt |
| Slovakia : | | | | | | | |
| MaMaison Bratislava, s.r.o. | Sulekova | 1 499 | - | 2029 | V | P+M | Slovenska Sporitelna as |
| Warsaw : | | | | | | | |
| ORCO Warsaw | Koscielna | 5 369 | 4 486 | 2013 | V | P+M | Raiffeisen Bl Pol |
| Paris: | | | | | | | |
| Vinohrady sàrl | Other assets | 60 | 82 | 2007 | F | | CGI |
| | | | | | | | |
| Total | | 69 128 | 70 633 | | | | |

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

Long term leases:

- The group has signed a long-term lease which is to be considered as a simple renting contract and not a finance lease and concerns the following building: Machova 18 booked in the accounts of Machova Orco.

Sale of a building by Americka 1

On 31st December 2003, the company Americka 1 signed an agreement regarding the sale of a 12-apartments building, the building n°2 of the Americka project to the company Helmine Entreprises Inc. (Helmine). The total value of the transaction amounted 5 400 KEUR + VAT. The price was settled in several instalments during 2004; the first one of 2 800 KEUR was paid on 23rd March 2004.

In addition, the Company had been mandated by Helmine to sell the apartments separately. It has been agreed between the parties that the profit or loss resulting from the sale compared to the global transfer price of 5 800 KEUR will be shared. If the total sale price of all the apartments is less than 5 800 KEUR, this difference will be split equally between Orco and Helmine. If the total sale price of all the apartments is more than 5 800 KEUR, the split will be as follows:

The first portion of 300 KEUR over 5 800 KEUR will go directly to Helmine.

The second portion of 300 KEUR (6 100 KEUR to 6 400 KEUR) will be divided equally between Orco and Helmine.

Any amount above 6 400 KEUR will be divided at the rate of 30% in favour of Helmine and 70% in favour of Orco.

As at 31st December 2004, bills of sale or provisional sales agreements have been signed for 9 apartments out of 12. The total sale price up to date amounts to 4 269 KEUR. The transactions realised during the first quarter 2005 allow the company to ensure a total price above 5 800 KEUR.

The sale agreement dated 31st December 2003 stipulates a sale option by which Helmine can sell Americka 1, a.s. and Americka 1, a.s. has the obligation to buy from Helmine all the shares of the company TQE Assets, the initial owner of the 12 apartments. Helmine can only activate this option if all the apartments have been sold. The sale price of the shares must equal the net asset of the company.

Guarantees given:

MaMaison Résidences S.A. stands as guarantor towards Slovenska Sporitelna regarding the loan the bank granted to its subsidiary MaMaison Bratislava. The loan can be split in a long-term loan of 1 500 KEUR and overdraft facilities of 5 000 KSKK (125 KEUR).

NOTE 24 – REVERSAL OF OPERATING PROVISIONS

This amount mainly includes the reversal of the provision on Benice land for an amount of 10 144 KEUR.

NOTE 25 – NUMBER OF EMPLOYEES

| | 31/12/04 | 31/12/03 |
|----------------|-----------------|-----------------|
| Czech Republic | 280 | 308 |
| Hungary | 59 | 30 |
| France | 8 | 11 |
| Poland | 59 | 5 |
| Slovakia | 8 | 1 |
| Luxembourg | 8 | 6 |
| TOTAL | 422 | 361 |

NOTE 26 – SUBSEQUENT EVENTS

Since February 1, 2005, Orco Property Group's share and convertible bonds are quoted on the Prague stock exchange. Furthermore, Orco Property Group S.A. is part of the PX50 index.

The company received the AMF Visa regarding the warrants issuance program (Bons d'émission d'actions), entirely subscribed by Société Générale in Paris (SG). This program guarantees, on Orco's initiative, the subscription by SG of 1 000 000 new shares issued at a price of 95% of the share price on the stock exchange at the time of execution.

Orco also acquired two residential buildings in Berlin for a total investment of 3 200 KEUR.

The Croatian Privatization Fund announced on 1st April 2005 that Orco Property Group's offer had been accepted regarding the open tender for the privatisation of the company "Suncani Hvar". Orco is from now on the exclusive negotiator of the Croatian government on this transaction.