Orco Property Group S.A.
Société Anonyme
42, rue de la Vallée
L-2661 Luxembourg

R.C.S. LUXEMBOURG B 44.996

(the "**Company**")

REPORT OF THE BOARD OF DIRECTORS OF THE COMPANY ESTABLISHED ACCORDING TO ARTICLE 32-3(5) OF THE LAW DATE 10 AUGUST 1915 ON COMMERCIAL COMPANIES AS AMENDED

The Board of Directors of the Company (the "**Board**") presents, according to Article 32-3(5) of the law dated 10 August 1915 on commercial companies as amended, a report concerning the proposal to authorize the Board to limit or suppress the shareholders preferential subscription rights during capital increases decided within the framework of the proposed additional authorized share capital as mentioned hereafter and as scheduled under points 1 and 2 of the agenda for the Company's extraordinary general meeting of shareholders convened to be held on 28 June 2012 (or in the case of re-convening of the extraordinary general meeting in the absence of a quorum, the date of holding of the reconvened extraordinary general meeting) (the "**Meeting**").

The Board recommends the authorization of the Board by the shareholders to limit or suppress the preferential subscription rights of the shareholders in the context of the authorized share capital and capital increases contemplated in agenda points 1 and 2 of the Meeting.

The Board recommends the Meeting to amend the existing authorised share capital clause by increasing it by an amount of sixty three million five hundred eighty two thousand eight hundred sixty one euros and fifty cents (EUR 63,582,861.50) and to grant to the Board all powers for the remaining period of the authorized capital as currently set out in the articles of association of the Company in order to carry out capital increases within the framework of such authorised capital as increased by the amount of sixty three million five hundred eighty two thousand eight hundred sixty one euros and fifty cents (EUR 63,582,861.50), it being understood that such additional amount of authorized share capital shall be used by the board of directors for the purposes of issuing (i) up to 65,000,000 new shares of the Company resulting from the substitution of the OPG Bonds into shares of the Company (as detailed in item 2 of the agenda), (ii) up to 7,848,081 new shares of the Company resulting from the conversion of the bonds convertible into shares ("**OCAs**") in relation to the second payment of the OCAs and in accordance with the terms and conditions of the OCAs, (iii) 2,248,673 new shares of the Company to other creditors of the Company under the *Plan de Sauvegarde* and (iv) 4,995,855 new shares of the Company to the holders of warrants issued by the Company.

It is recalled that the goal of the legislator in establishing a preferential right of subscription is to prevent a shareholder from seeing its share and control in a company being diminished or diluted because of an increase in capital to which he could not subscribe.

As a measure to protect the financial interests of shareholders, the limitation or suppression of the preferential right can only be envisaged in a framework justified by special circumstances and should only be in the sole interest of the Company.

The present report has been issued by the Board in order to present the particular circumstances justifying the limitation or suppression of this preferential right within the framework of an authorization granted to the Board for a period of five years.

The Board, acknowledging the absolute necessity of being immediately able to adapt the strategy and organization of the Company, in relation to changing economic markets, real estate and stock markets in which it is involved, proposes to the Meeting to authorize the Board to limit or suppress the preferential subscription rights of the shareholders in the event of the capital increases contemplated in agenda points 1 and 2 of the Meeting within the limits of the authorized capital in order to successfully implement the planned restructuring of the Company group debt which has been planned and negotiated over the past several months. This debt restructuring ensures the going concern of the group, reduces the group loan-to-value ratio to approximately 56% and provides the platform for the group to maximize the potential value of its portfolio. It is noted that the bond restructuring transactions have been reviewed by the company's auditors, who have issued reports confirming that the value of the bonds contributed is at least equal to the value of the shares to be issued in exchange.

The Board

25 May 2012