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ORCO
PROPERTY GROUP

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société anonyme

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L- 8308 Capellen, Grand Duchy of Luxembourg

R.C.S. Luxembourg: B- 44.996

(the "**Company**")

Report

of the board of directors of the Company (the "**Board of Directors**") to the extraordinary general meeting of shareholders of the Company to be held on 15 September 2009 and to any adjourned or reconvened shareholders' meeting with the same agenda (the "**EGM**"), prepared in accordance with the provisions of Article 32-3 (5) of the law of 10 August, 1915 on commercial companies, as amended

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The Board of Directors of the Company is proposing to the EGM to renew and increase the authorised share capital amounting currently to three hundred million one point twenty Euro (EUR 300,000,001.20) to an amount of up to five hundred million Euro (EUR 500,000,000.-).

The purpose of the authorised share capital is to allow the Board of Directors to proceed with the issuance of shares, warrants, bonds and/or convertible securities entitling for an issuance of shares and allowing eventually to increase the issued capital to an aggregate amount of up to five hundred million Euro (EUR 500,000,000.-), with the right to cancel or limit any and all preferential right of subscription in relation thereto.

The Board of Directors will be authorised to realise any increase of the corporate capital within the limits of the authorised capital in one or several successive instalments, by the issuing of new shares, with or without share premium, against payment in cash, contributions in kind and/or conversion of debt into equity or the incorporation of profits or capital reserves of the Company into capital upon approval of the annual general meeting of shareholders.

The Board of Directors will be authorised to determine the place and date of the single or successive issues, the issue price, the terms and conditions as well as the methods governing the subscription and paying up of the new shares.

The Board of Directors is seeking in particular the authorisation to cancel or limit the preferential subscription rights of the shareholders in case of issue of warrants, bonds, shares and/or convertible securities against payment in cash. There is currently no statutory preferential subscription right in case of issue of warrants, bonds, shares and/or convertible securities through contributions in kind or by conversion of debt into equity.

The authorisation will be valid during a period ending five (5) years after the date of publication of the minutes of the EGM renewing and increasing the authorized capital in the Luxembourg official gazette, the *Mémorial C.* This is the maximum period allowed under Luxembourg law for the authorisation sought by the Board of Directors.

The authorisation will allow the Board of Directors to proceed, within the 5-year period of the proposed authorization, with the issuance of shares, warrants, bonds and/or convertible securities entitling for an issuance of shares and allowing eventually the increase of the issued capital up to an amount of five hundred million Euro (EUR 500,000,000.-).

The proposal for the renewal and increase of the current authorised capital aims at creating, if the circumstances so warrant, a larger equity base of the Company, within the 5-year period of the proposed authorization. The Board of Directors will thus be in a position to implement any public offers, exchange offers and/or private placements of shares and/or securities entitling for an issuance of shares.

It is also part, but not exclusively, of the more general arrangements necessary to implement the current investments and restructuring projects of the Company. In particular, but not exclusively, the authorisation will allow in a first phase the Board of Directors to implement necessary steps related to

1) the proposed safeguard plan of the Company in the form to be approved by the relevant French court, purporting in particular to convert all outstanding bonds of the Company into a mix of new shares and new bonds , as well as for rounding purposes some of the new bonds into new shares;

2) the issue of free warrants under a private placement to ColOG S.à r.l. or any related entity allowing for an eventual subscription within one month at an issue price of EUR 7.- per shares ;

3) the issue of one free warrant for each share of the Company under an offer to the shareholders of the Company on record prior to implementation of the safeguard plan; each warrant entitling to the subscription within one month of one share at an issue price of EUR 7.- per share;

4) the issue, directly or indirectly and subject to applicable procedures of the nomination and remuneration committees of the board of directors of the Company, of new shares (or warrants entitling to subscribe such shares) of the Company representing an amount of up to 10% of the share capital of the Company, following implementation of the above proposed steps, to key managers of the Company pursuant to a management incentive plan;

5) the issue of shares corresponding to the exercise of any warrant, securities and/or instruments having been issued by the Company from time to time as described in the annual report of the Company for the financial year ended on December 31, 2008 and remaining outstanding following implementation of the above proposed steps, which allow for a subscription of shares of the Company.

With respect to the proposed issue of shares upon exercise of warrants as described in item 5) above, it is in particular envisaged that part of such new shares be issued by the Company under the authorized share capital upon exercise of warrants expiring in 2014, registered under ISIN code: XS0290764728, subject to their terms and conditions as amended from time to time in particular in order to optimize the Company's capacity to raise new funds.

While part of the authorised capital is created to allow implementation of the transactions described under 1) to 5), and for the avoidance of doubt, the Board of Directors may also issue warrants, bonds, shares and/or convertible securities allowing for an eventual issuance of new shares under this authorised capital outside the context of such specific transactions during the whole period of the authorised share capital.

When determining the issue price of warrants, bonds, shares and/or convertible securities to be created under the authorized capital, in particular when preferential rights to subscribe are cancelled or limited, the Board of Directors will have due regard to the fair market value and the appropriate trading averages (if the instruments are listed) of the shares of the Company then issued as well as to the value of the claims, other assets in kind or the cash to be contributed to the Company upon such capital increase within the limits of the authorized capital.

The issue price of the shares to be eventually issued will be such that it correspond always at least to the par value of the new shares to be issued and, where appropriate and possible, such issue price is increased by such amount of share premium as the Board of Directors, as the case may be on the basis of relevant financial advice, considers appropriate for the issue of such new shares (or warrants, bonds and/or convertible securities) under the then prevailing market conditions and in light of the then prevailing financial situation of the Company.

In this respect, the Board of Directors informs the shareholders that, as regards the transactions listed under 1 to 3hereabove, the new shares created in such context would eventually be issued by the Company at an issue price of EUR 7.- corresponding to the contractually agreed issuance price of new shares to be issued by the Company to ColOG S.à r.l. in implementation of step 2) above.

Again, for the avoidance of doubt, this specific issue price will not apply to issues of warrants, bonds, shares and/or convertible securities issued outside and/or subsequently the content of the transactions described under 1) to 3). Such issue price will be determined in accordance with the general principles set out herebefore and irrespective of the issue price as determined for the transactions described in 1) to 3).

Considering the above, the Board of Directors confirms that it is in the interest of the Company and its shareholders that the current authorised capital of the Company be renewed and increased so that the authorised share capital be set to an amount of up to five hundred million Euro (EUR 500,000,000.-).

It is recalled that the full renewed and increased authorised share capital would be confirmed by the shareholders of the Company and the Board of Directors would be reauthorized for a full new five (5) year period.

In consideration of the Board of Director's analysis that the proposals outlined in this report and reflected in the resolutions to be submitted to the EGM are in the interests of the Company and its shareholders, the Board of Directors recommends that the shareholders approve the proposals by voting in favour of the resolutions submitted to the EGM.

Luxembourg, 2009 , le 15 septembre

For the Board of Directors

By

Name:Jean-François OTT

Title: Director

By

Name:Nicolas TOMMASINI

Title: Director