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(hereinafter referred to as the "**Company**")

ORCO PROPERTY GROUP BOARD OF DIRECTORS' REPORT TO THE ORCO GERMANY BONDHOLDERS AND ORCO GERMANY WARRANTHOLDERS REGARDING THE ORCO GERMANY BONDS TRANSACTION

The Orco Property Group Board of Directors (the "**Board**") presents this report to the Orco Germany Bondholders and Orco Germany Warrantholders concerning the transactions contemplated in the 19 December 2011 Binding Term Sheet (the "**Term Sheet**") among Orco Property Group S.A. ("**OPG**"), Orco Germany S.A. ("**OG**") and certain Orco Germany Bondholders (the "**OG Bondholders**") that was subsequently approved by the OPG Board of Directors during its meeting of 23 December 2011.

The OG Bondholders and OG Warrantholders will vote on the transactions contemplated in the Term Sheet during General Assemblies to be held on 27 January 2012.

OVERVIEW OF THE TRANSACTION:

Since early 2011, negotiations have taken place with approximately 63% of the OG Bondholders to restructure approximately EUR 129.1 Million of debt (consisting of the nominal value, premium and coupon interest as at the maturity date) that matures on 30 May 2012 and is represented by 148,077 OG Bonds (ISIN XS0302623953, the "**OG Bonds**").

Ultimately, on 19 December 2011, the parties entered into the Term Sheet whereby it was agreed that binding documents would be finalized and legal formalities would be undertaken in order to convert all 148,077 OG Bonds valued at approximately EUR 129.1 Million into 148,077 new OPG convertible bonds that can be converted into either (i) newly issued ordinary shares of OPG (ISIN LU0122624777, the "**OPG Shares**"); or (ii) OPG Shares and ordinary shares of OG (ISIN LU0251710041, the "**OG Shares**"), depending on the conditions set forth below.

Subject to compliance with Luxembourg laws and to the granting of all regulatory approvals (in particular the decision from the Luxembourg market regulator, the CSSF, confirming that in the context of the conversion detailed below the OG Bondholders will not be obliged to launch a takeover bid), on 31 January 2012 the 148,077 OG Bonds will take the form of 148,077 OPG OCA (*Obligation Convertible en Action*, the "**OPG OCA**"), a Luxembourg convertible bond instrument.

RATIONALE OF THE TRANSACTION

In this way, OPG can relieve the short term debt pressure on OG through the equitization of approximately EUR 129.1 Million thereby improving the OG balance sheet and increasing the OPG market capitalization. Through these contemplated transactions, OPG would therefore effectively raise up to EUR 129.1 Million at an average share price of around EUR 4.74 per OPG Share. Through the contemplated transactions, funds will be liberated that can be then channeled to various assets which currently need them.

The OG transactions testify to the fundamental belief of a majority of OG Bonds institutional investors in the quality of the portfolio of both OPG and OG and the current strategy implemented at the OPG level.

In addition, the contemplated transactions will have the following benefits:

- Allow OG to avoid a costly and time-consuming collective procedure and remain within the OPG Group on a going concern basis;
- Allow for the partial or total refinancing of the EUR 300,000,000 in bank debt regarding OG's GSG Berlin portfolio by facilitating the negotiations with the existing and potential financing banks regarding this matter;
- Pave the way for a further OPG deleverage by allowing an equitization of some OPG Bonds into OPG Shares;
- Coupled with the MSREI transaction, they strengthen the Group's equity and its value creation capacity thereby opening new equitization possibilities for the OPG Bondholders;
- Provide deleveraging at the Group level thereby increasing the value of OPG;
- Preserve the Group's liquidity and provides time and liquidity headroom to optimize asset values for development and mature assets;
- Increase liquidity of the OPG Shares.

CONVERSION OF OPG OCA:

The 148,077 OPG OCA that will be exchanged for the 148,077 OG Bonds will have a conversion that is split into two periods as set forth below:

- On or about 31 January, 2012 a first portion of the OPG OCA representing an aggregate nominal amount of approximately EUR 79,100,000 will be converted into 130 OPG Shares per one OPG OCA, which will result in the creation of 19,250,010 newly issued OPG Shares (therefore resulting in an issue price of around EUR 4.11 per OPG Share), which will increase the OPG's share capital to EUR 148,845,891.60 represented by 36,303,876 OPG Shares. Of these 19,250,010 newly issued OPG Shares, 1,000,000 shares will be reserved for the OPG Executive Management.

- Then, on or around 15 April, 2012 (the "**Exchange Date**") the OPG OCA holders (formerly the OG Bondholders) will decide how to convert the second portion of the OPG OCA representing an aggregate nominal amount of approximately EUR 50,000,000 as set forth below:

  - If the **OPG Bond Conversion Condition** (as defined below) is met three business days prior to the Exchange Date, the remaining OPG OCA will be converted into 54 OPG Shares per one OPG OCA, which will result in the creation of 7,996,158 new OPG Shares (therefore resulting in an issue price of around EUR 6.25 per OPG Share), therefore resulting in an average blended conversion price per OPG Share of around EUR 4.74 on the overall transaction, and bringing OPG's share capital to EUR 181,630,139.40 represented by 44,300,034 OPG Shares.

  - if the **OPG Bond Conversion Condition** is not met three business days prior to the Exchange Date such remaining OPG OCA will, at the option of OPG, be:

    - (a) repaid in a cash amount of EUR 337.66 per one OPG OCA for a total cash payment of approximately EUR 50,000,000; or

    - (b) in case such cash amount is not paid by OPG and subject to a decision made by the holders of OPG OCA (at a 50% plus 1 OPG OCA majority of all the OPG OCA outstanding) to convert all of the remaining OPG OCA into either:

      - (i) 54 OPG Shares per one OPG OCA which will result in the creation of 7,996,158 new OPG Shares (therefore resulting in an issue price of around of EUR 6.25 per OPG Share), therefore resulting in an average blended conversion price per OPG Share of around EUR 4.74 on the overall transaction, and bringing OPG's share capital to EUR 181,630,139.40 represented by 44,300,034 OPG Shares; or

- (ii) a number of OG Shares equivalent to 55% of the fully diluted capital of OG post equitization of the OG Bonds by OPG which would result in the OPG OCA holders owning 55% of the OG Shares outstanding at the Exchange Date.

- In the event no cash repayment is made by OPG, the election decision of the OPG OCA holders in (b) will not be required by 12 April 2012 but can be extended as necessary to allow for proper notice period, quorum, and majority decision. The OG Shares pledged and held as collateral shall remain pledged until such election is made. No new OG Shares can be issued during this time without 55% of those new shares also being added to the pledged collateral.

OPG BOND CONVERSION CONDITION:

The parties have also agreed that OPG will engage in parallel discussions to equitize the EUR 410,000,000 of outstanding OPG Bonds into a maximum of 64,000,000 new OPG Shares, of which a maximum of 4,000,000 shares will be reserved for the OPG Executive Management.

The OPG Bonds subject to the OPG Bond Conversion Condition are the following:

- EUR 50,272,605.30 bonds with subscription rights attached issued by OPG on 18 November 2005;
- CZK 300,000,000.00 bonds issued by OPG on 3 February 2006. As of the date of the Term Sheet EUR 11,631,934 of nominal OPG Bonds 2011 remain outstanding;
- EUR 24,169,193.39 bonds issued by OPG on 30 June 2005;
- EUR 149,999,928.00 convertible bonds issued by OPG on 1 June 2006;
- EUR 175,000,461.60 bonds with subscription rights attached issued by OPG on 28 March 2007.

The OG Bondholders will decide whether or not to convert the second portion of the OPG OCA into OPG Shares or OG Shares depending on whether the following OPG Bond Conversion Condition has been met: if 3 business days before 15 April 2012, 65% of the nominal value of all OPG Bonds have been converted into OPG Shares at a value of EUR 6.40 (on the basis that up to 64,000,000 new OPG shares may be issued in order to equitize 100% of 410,000,000 of nominal of OPG Bonds, to be reduced proportionally in accordance with the actual number of OPG Bonds equitized) or higher.

The OPG Bond Conversion Condition shall be met on the date when the substitution of the relevant OPG Bonds into OPG Shares has been approved by the relevant bondholders' meetings, and warrantholders' meetings (as appropriate) and the shareholders' meeting of OPG. The OPG Bond Conversion is also subject to the approval by the Paris Commercial Court as it is a modification of OPG's sauvegarde plan.

The 15 April 2012 date upon which the OPG Bond Conversion Condition must be met can be extended at the request of OPG if the negotiations with the OPG Bondholders are well advanced as of 1 April 2012 and provided that such extension is agreed by a decision of the holders of the OPG OCA (taken in accordance with the quorum and majority provisions provided for by law in a meeting of the holders of the OPG OCA convened to extend the date, i.e. the decision can only validly be taken if at least one half of the OPG OCA outstanding are present or represented at that meeting. If such proportion of the total number of the OPG OCA is not met, a second meeting shall be convened and such second meeting shall validly deliberate regardless of the proportion of the OPG OCA present or represented. At both meetings, decisions in order to be adopted must be approved by at least two third of the votes cast).

The OPG Bond Conversion Condition shall be met on the date when the substitution of the relevant OPG Bonds into OPG Shares has been approved by the relevant bondholders' meetings and warrantholders' meetings (as appropriate) and the shareholders' meeting of OPG.

MANAGEMENT INCENTIVE PLAN

The contemplated transaction also includes the creation of OPG warrants for the OPG Executive Management as set forth below:

- Attribution of 2,000,000 new free OPG warrants exercisable into OPG Shares (one warrant for one share) for a period of five years after 31 January 2012 at an exercise price of EUR 4.77 per OPG Share.
- Attribution of 2,000,000 new free OPG warrants exercisable into OPG Shares (one warrant for one share) for a period of six years after 31 January 2012 at an exercise price of EUR 6.678 per OPG Share.
- Attribution of 2,000,000 new free OPG warrants exercisable into OPG Shares (one warrant for one share) for a period of six years after 31 January 2012 at an exercise price of EUR 7.6 per OPG Share.
- Attribution of 2,000,000 new free OPG warrants exercisable into OPG Shares (one warrant for one share) for a period of six years after 31 January 2012 at an exercise price of EUR 9.54 per OPG Share.

ADDITIONAL PROPERTIES OF THE OPG OCA:

Each OPG OCA will bear an interest of 0.01% and shall have a maturity of 15 April 2012 or any subsequent date agreed to by the holders of the OPG OCA at the relevant majority in a meeting of holders of the OPG OCA.

The holders of the OPG OCA shall benefit from a lien on 55% of all OG Shares issued by OG, including current OG Shares and the New OG Shares held by OPG as collateral in a separate securities account that will be pledged to the holders of the OPG OCA (a *nantissement de compte d'instruments financiers* or any equivalent security under Luxemburg law), for the repayment in cash of such OPG OCAs in accordance with the provisions above.

OPG will prior to maturity of the OPG OCA (subject to Luxembourg laws and the regulatory formalities, corporate decisions and notice periods being complied with both at the level of OG and OPG) convert the EUR 129.1 Million including the accrued coupons of OG Bonds into additional OG Shares based on the volume weighted average price of OG Shares on the Frankfurt stock exchange over a period of 6 (six) months prior to the Conversion Date of 31 January 2012.

The OPG OCA will not be transferable or negotiable on the capital markets and cannot be offered to the public. In particular, the OPG OCA will not be transferable among the OPG OCA holders and are exclusively linked to the respective positions of the OG Bondholders (*i.e. intuitu personae*). The OPG OCA can only be payable in cash or converted into OPG Shares or OG Shares as described above. The OPG OCA will not be listed and/or admitted to trading on any stock exchange within the European Economic Area nor on a stock exchange outside the European Economic Area.

The OPG OCA will constitute a direct, general and unconditional obligation of OPG which will at any time rank *pari passu* among themselves and at least *pari passu* with all the other present and future unsecured obligations of the OPG, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

CONCLUSION:

Based on the foregoing, the OPG Board of Directors recommends that the OG Bondholders and OG Warrantholders vote in favour of the transactions contemplated in the 19 December 2011 Term Sheet. An approval of such transactions will deleverage OG, avoid collective proceedings, facilitate negotiations for the GSG refinancing, pave the way for a possible equitization of OPG Bonds, and focus cash on value creation at the assets level.