

● SUMMARY



- A message from Jean-François Ott, Chief Executive Officer
- Highlights of 2004

I- THE ORCO PROPERTY GROUP

■ A portfolio in the heart of "New Europe"	7
■ Presence on high-potential markets	8
■ The year on the stock market	14
■ Human resources	15

II – ANNUAL REPORT

■ Orco Property Development	18
■ Orco Property Investment	24
■ Orco Asset Management	29
■ Orco Hotel Collection	32
■ MaMaison Residences	34
■ Towards new territories	36
■ Orco, a citizen company	38



A MESSAGE FROM THE CHAIRMAN AND CEO



Dear shareholders,

Faithful to a winning strategy, our business remains founded on two pillars: the constitution of a solid real-estate business via the acquisition of prime-location buildings and property development. In both cases, the Orco Property Group benefits from motivated teams whose professionalism is recognized on the market. I am very proud of that.

When we came to understand that the future of the Czech real-estate residential business belonged to the mid-budget segment, we sought to position ourselves ahead of the pack. Thanks to the Orco-IPB Real merger, it is now an accomplished fact: in 2004, we became the leader on the Czech residential market.

We have continued land acquisition for IPB Real. Today our land bank allows to satisfy our strategy till 2012.

The Orco Property Group's expansion is based on unbeatable logic: choose those opportunities that represent genuine sources of profit, instead of buying land at any price. I will cite two recent examples, begun well before 2004 and completed in early 2005: Moscow and Berlin.

What real-estate operator does not dream of establishing his brand in the Russian capital, the third most populous city in Europe with 12 million inhabitants? We received dozens of propositions, some quite interesting, but all excessively expensive. In the final analysis, we will penetrate Moscow via our subsidiary, MaMaison Residences. Thanks to perseverance, we obtained good purchase terms at approximately 2000€ per m².

The situation is even simpler in Berlin, where market conditions enable us to buy for half of the prices in Prague or Budapest and one-fifth of the prices in Moscow... Berlin is a major European capital in full revival with no shortage of businesses.

Moreover, we remain alert to new possibilities on emerging markets, which are all opening their doors to privatization. There are real opportunities on these markets, as exemplified by our recent success in Croatia where we took control of the company, Suncani Hvar, which holds 90% of the hotel assets on the Island of Hvar.

2005 looks like it will be a year rich in projects and successes. We in the Orco Property Group will work together in order to satisfy our clients and achieve our goals. You can count on it, that's a promise.

Jean-François Ott
Chairman & CEO

HIGHLIGHTS



2004

■ JANUARY

Orco and GE Capital Golub finalize a joint-venture, the €100 million Kosik project: 1 350 apartments and 40 000m² of retail space.

■ MAY 1ST

Ten new countries are admitted into the European Union: the Czech Republic, Hungary, Poland, the Slovak Republic, Slovenia, Lithuania, Latvia, Estonia, Cyprus and Malta. Orco already had operations in the main new member-states.

■ JUNE

- The Hotel Le Regina***** opens in Warsaw. It is awarded best overall development of the year by the "Construction and Investment Journal."

Launching of the Hradec Kralove and Brno (Czech Republic) projects for the second phase of Kouzelne Medlanky, two IPB Real operations in the heart of the Czech Republic.

■ SEPTEMBER

- Opening of Residence Pachtuv Palace in Prague, a 14th and 17th century palace located at the foot of the Charles Bridge.
- Success of Orco public offering of convertible bonds. Over € 32 million raised.

■ OCTOBER

In Budapest, acquisition of Atronyx, an 18 000 m² office complex, renamed the "Orco Business Park."

■ NOVEMBER

- In Bratislava, opening of MaMaison Residence Sulekova Hotel, Orco's first project in the Slovak Republic.
- Acquisition of the MaMaison Residence Diana, in Warsaw (46 apartments and 2700 m² of office and retail space).

■ DECEMBER

- Orco's first acquisitions in Berlin, Teuteburger Platz and Benningenstrasse, two residential buildings in the city center.
- In Warsaw, Orco buys an office and retail building downtown as well as two land sites for the construction of over 500 apartments.
- DTZ (international property advisers) appraises Orco Property Group assets at nearly €250 million for a re-evaluated NAV of €34.58 per share.
- Following the acquisition of two adjoining buildings in Budapest, Orco launches its first purely residential project in Hungary: the Avenue Gardens on the prestigious Andrássy avenue in Budapest.

2005

■ FEBRUARY

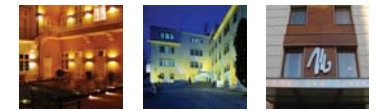
- Dual listing of Orco shares and convertible bonds on the Prague Stock Exchange.

■ MARCH

- Reserved capital increase of 300 000 shares at €44 each and establishment of a step-up equity subscription.
- Signing of a pre-contract for the turnkey acquisition (finished product, thus without development risk) of an extended-stay hotel with 84 apartments in the heart of Moscow.

■ APRIL

- Orco wins the bid for the privatization of the tourist and hotel assets of Suncani Hvar in Croatia.
- Opening of the Residence Diana in Warsaw, the first product of MaMaison Residences in the country.
- Acquisition in Bratislava of the 14 000 m² Koliba project for the construction of luxury residential apartments.
- The Luxembourg Plaza rents 50% of the project, ten months prior to completion.
- Investments bolstered in Berlin with the acquisition of three new buildings.

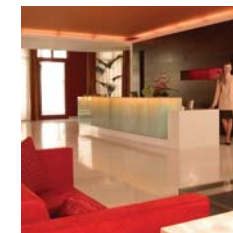
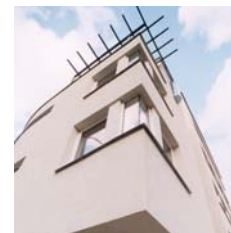


■ RESIDENCE
PACHTUV PALACE
→ PRAGUE



THE ORCO PROPERTY GROUP

■ A portfolio in the heart of "New Europe"	7
■ Present on high-potential markets	8
■ The year on the stock market	14
■ Human resources	15



I

THE ORCO PROPERTY GROUP



The Orco Property Group and its shareholders have every reason to be satisfied in 2004, given a portfolio evaluated at e250 million, the fourth-quarter surge in share price, the positioning on buoyant markets throughout Central Europe and the seizure of opportunities in emerging European countries.

Reflecting the work of the entire management team, Orco surpassed the forecasts made in 2003.



■ RESIDENCE PACHTUV PALACE → PRAGUE

A SOLID EXPERIENCE OF REAL ESTATE BASED ON TWO MAIN ACTIVITIES : PROPERTY INVESTMENT AND DEVELOPMENT

Present in Central Europe since 1991, the Orco Property Group develops, leases and manages a diversified portfolio evaluated at € 250 million as of December 31, 2004.



■ ■ ■ **Orco Real Estate:** 48 000 m² of office, apartment and retail surfaces in Prague, Budapest and Warsaw and 38 000 m² of office space in development.

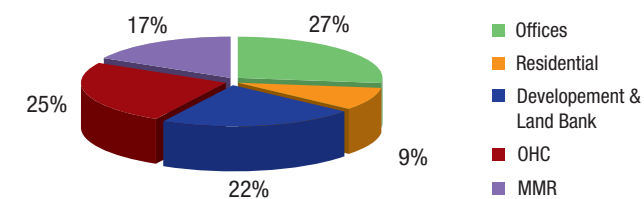
MaMaison Residences: Seven extended-stay hotels in Prague, Budapest, Bratislava and Warsaw.

Orco Hotel Collection: Five luxury hotels, including a Prague establishment with 161 rooms in development (in conjunction with Marriott).

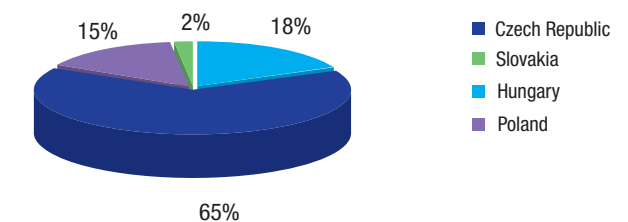
IPB Real: a pipeline of 25 projects and about 4000 apartments and 132 houses, as well as a land bank consisting of over 1 000 000 m², one of the largest private land bank of Czech Republic.

Retail properties: 10 000 m² in operation in Warsaw and Brno and 10 000 m² in development in Prague and Warsaw.

Breakdown of portfolio valuation per activity



Breakdown of portfolio valuation per country



① THE ORCO PROPERTY GROUP



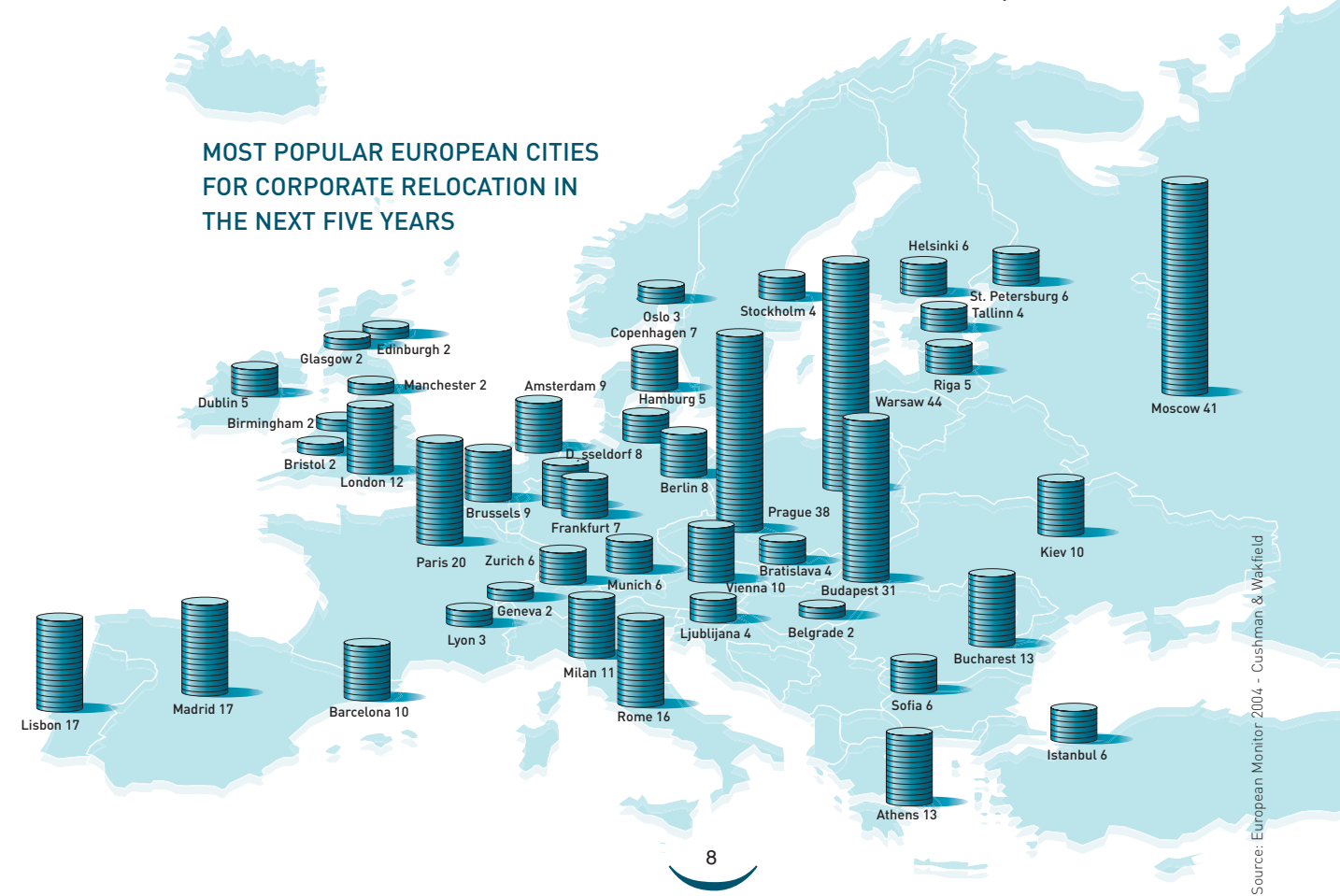
PRESENT ON HIGH-POTENTIAL MARKETS

Central Europe remains a priority investment zone for Orco. At the same time, the Orco Property Group is keeping a close eye on opportunities futher east.

Present in Central Europe since 1991, Orco is strengthening its positions on these markets while seizing invest-ment opportunities in Eastern Europe via its subsidiary, MaMaison Residences.

Between the end of 2004 and the beginning of 2005, Orco made its first investments in Berlin (two residential buildings), Croatia (control of the hotel firm, Suncani Hvar) and Moscow (pre-contract for an extended-stay hotel).

MOST POPULAR EUROPEAN CITIES FOR CORPORATE RELOCATION IN THE NEXT FIVE YEARS



The economic situation

Although sparking a temporary rise in inflation in Poland and Hungary, the entry into the EU also anchored a whole new cycle of reforms while ushering in bright consumer-spending horizons.

2004	R. Czech	Hungary	Poland	Euro Zone
GDP growth	3,8%	3,9%	5,4%	2,3%
Inflation	2,8%	8%	6,1%	2,2%
Direct foreign investment (€ billion)	4	3,5	5	-

In 2005, economists are forecasting 2.2% growth in the EU as a whole and 4.6% in the eight Baltic and Central-European countries. Poland alone accounts for half the market of the ten newcomer countries.

① THE ORCO PROPERTY GROUP



Change in real-estate markets in 2004

Office market	Prague	Budapest	Warsaw
Total office stock (millions of m2)	1,4	1,6	1,9
Prime office rents (average)			
Central Business District	€17-19	€18	€20-22
Vacancy rates	15%	15,5%	11,8%
Yield on prime office rentals	7,8%	8%	8%

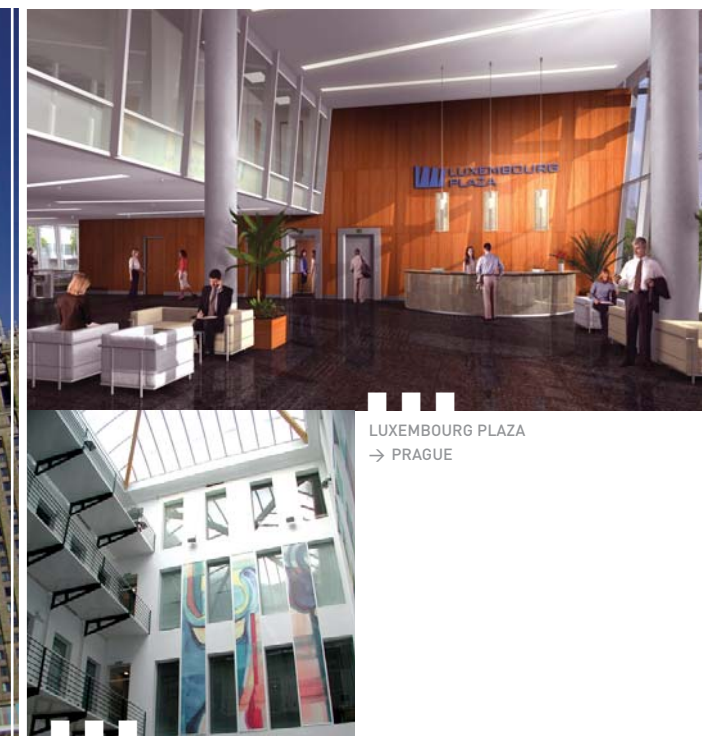
Overall in 2004, Central Europe benefited from an unprecedented investment volume of €3.2 billion. This represents 45% growth from 2003, driven by the surging Russian and Ukrainian markets, as well as those of candidates for EU-memberships, Croatia, Rumania and Bulgaria. Funds dedicated exclusively to Central Europe have increased dramatically. In terms of market segments, retail centers hit all-time investment highs (contributing nearly 50% of total investment volumes), and the secondary-city market is beginning to play a significant role.

THE OFFICE MARKET

A survey conducted by Cushman & Wakefield named Prague, Warsaw, Budapest and Moscow as the four most popular European cities for corporate relocation in the next five years. In the first three months of 2005, a tendency toward self-regulation by operators was observed, a sign of maturity on that market. But we are still below the average stock in Western Europe, offering solid prospects.



ZŁOTA CITY CENTER → WARSAW



LUXEMBOURG PLAZA
→ PRAGUE

REVAY 10 → BUDAPEST

In Prague, where nearly 170 000 m² were delivered in 2004, the market remains stable, both in terms of stocks and price. There was nonetheless a hike in vacancy rates due to a drop of around 45% in the number of square meters placed, compared to a robust 2003. There was only one delivery above 10 000m² in 2004 versus four large transactions in 2003. There was, however, a broad recovery in the fourth quarter of 2004, with many corporate leases close to expiry.

In Budapest, the office market had a record year with the placement of 230 000m², up 60%, with the trend confirmed in early 2005. Considering that only 84 000m² have been delivered, the vacancy rate has dropped sharply. Although prices have stabilized, Budapest is still one of the cheapest cities for this market segment. In 2005, 120 000 m² are planned for delivery.

In Warsaw, deliveries fell by 18% with



ORCO BUSINESS PARK → BUDAPEST



① THE ORCO PROPERTY GROUP



a total of 145 000m² delivered, including 100 000m² outside the city center. The number of square meters placed surged 20%, following several years of stability. As in Prague, we are witnessing the end of a five-year cycle as renters renegotiate their contracts or move elsewhere. As a result, the vacancy rate has slipped by several points.

THE RESIDENTIAL MARKET

First-time home ownership will continue to be a very buoyant market for a long time. Driven by the explosive growth in middle-class consumer spending throughout the region, the purchase of a home has become a lifetime priority. Furthermore, some countries have initiated stimulative policies, given the shortage of housing in certain cities.

In addition, existing stocks are low compared to those in the former 15-nation EU, due to the total lack of property development during a 40-year period. As revenues grow, the maintenance

segment (property management/renovation) will also grow. As of today, it represents just 19% of building-industry revenues in the four major Central-European countries versus 36% in the former 15-nation EU.

In Poland, some 1.5 million families are waiting to own their own apartment while ten million inhabitants continue to live in substandard housing. The market is immense, especially if we consider that, by 2020, the population of Poland's major cities could reach 8 million. It is estimated that around 100 000 people move to Warsaw each year, which already has one of the highest population densities in Europe (inhabitants per residential m²). And yet, only 10 000 to 12 000 housing units are delivered per annum. There exists a market for prestige apartments, which are also in short supply. Prices grew by roughly 10% on this segment in 2004.



KOSIK → PRAGUE



In Hungary, 44 000 apartments were built in 2004 versus 20 000 in 1998. In Budapest, deliveries surged 60%.

In the Czech Republic, the market is made buoyant by mortgages, which have been growing 50% each year since 2000. The number of bank home-purchase savings plans now number over six million, representing 60% of the population. And finally, with the number of housing units under rent control falling by a third over the last five years, households have, naturally, been moving toward home ownership.

The new home market is in full expansion. While only 13 000 housing units were delivered in 1995, over 28 000 were placed on the market in 2004.

Since September 2004, building has begun on nearly 4 500 apartments in Prague, up 123%. However, the market is growing all over the country and more apartments are currently in construction in central Bohemia than in the city of Prague. But only 2,7 new homes are completed each year for 1 000 inhabitants. This is still under the European average (former 15 countries) of 4,4 and the average of 10 in Spain or Portugal.

① THE ORCO PROPERTY GROUP



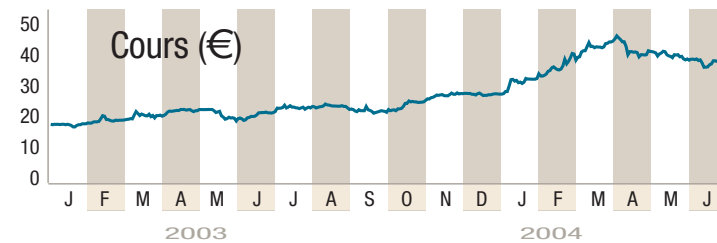
THE YEAR ON THE STOCK MARKET

Since February 1, 2005, the Orco Property Group has benefited from the dual listing of its shares and convertible bonds on the Prague Stock Exchange using the same codes as on Euronext.

The listing on the PX50 and Px-D indexes of the Prague Stock Exchange boosts our visibility on these markets while opening up new financing horizons. As such, the share is now eligible for investment funds on emerging markets. Stock markets in Central Europe were particularly robust in 2004, as seen by the 56.6% surge on the Prague Stock Exchange.

The Orco Property Group also confirmed its dividend policy by proposing to the General Shareholders' Meeting a gross divi-

dend of €0.60, in cash or shares, up 33% from last year. Transaction volumes rose sharply, with an average of over 11 000 Orco shares traded daily in 2004, but picking up steam at 60 000 since the dual listing in February 2005. The Orco share price shot up by 76.8% in 2004. From March 2004 to March 2005, it climbed 115%.



TWO QUESTIONS FOR

Arnaud Bricout, Vice President of Corporate Finance

Why list Orco securities on the Prague Stock Exchange?

First of all, because it gives us access to new investors, especially those operating on Central-European exchanges, who were unable to intervene on the Paris Stock Exchange.

As such, it is an additional opportunity

for the Orco Property Group to raise funds. The Prague listing also gives us greater visibility in the Czech Republic, which facilitates relations with local authorities and banks.

What are your goals for 2005?

To strengthen further our financial com-

munications on both sides of the Atlantic, to establish new and innovative financing tools for the company in its development stage and to increase the number of shareholders. And last but not least, the pursuit of an exceptional human adventure!

HUMAN RESOURCES

The development and expansion of the Orco Property Group is reliant on the strengthening of our teams of professionals. As of the beginning of 2005, the Orco Property Group employs 500 people.



The Orco Property Group and subsidiaries now have over 500 staff and 15 nationalities spread over six different countries. Jean-François Ott, founder of Orco in 1991, and four Vice Presidents preside over all group personnel.

An Executive Committee, composed of

four Vice Presidents and five Directors, meets once a month to set down the group's main decisions and strategic outlook. Orco has also set up a Management Committee, bringing together some 20 operational managers to implement Orco's main decisions and strategy.

■ LUXEMBOURG PLAZA
→ PRAGUE



● ANNUAL REPORT



In the Orco Property Group, each subsidiary is powered by professionals whose competency and initiative are recognized by their peers. The Property Development, Property Investment, Asset Management and Hospitality activities are highly complementary: the growth of one reinforces the Group as a whole.

■ Orco Property Development	18
■ Orco Property Investment	24
■ Orco Asset Management	29
■ Orco Hotel Collection	32
■ MaMaison Residences	34
■ Towards new territories	36
■ Orco, a citizen company	38



II ANNUAL REPORT



ORCO PROPERTY DEVELOPMENT

In 2004, the Orco Property Group expanded its residential product range by penetrating the mid-range segment. It was already present on the upmarket segment.

Property Development posted revenues of €57.1 million in 2004, up from €12.9 million in 2003.

The offerings developed under the IPB Real brand in the Czech Republic are typically aimed at the middle class and upper middle class: young professional couples, young families or retirees looking to strengthen their own personal assets. Depending on the city and location, the offerings target specific segments, although a single offering may include several product types that meet a variety of budgets, as in the case of Hradec Kralove.

Orco continues to develop upmarket

residential offerings for what is essentially a foreign clientele. There exists a real market for this product type. Orco is already on this segment in Prague and Budapest and will soon be so in Warsaw.

In Poland under Orco development brand, the offerings target the same type of clientele as that of IPB Real. The market is nonetheless different in Poland where housing is generally delivered with a lower level of services than those in the Czech Republic. Orco intends to differentiate itself on the Polish market by offering higher quality services.



NOVE MEDLANKI
→ BRNO, CZECH REPUBLIC



IPB REAL: A YEAR OF GROWTH

IPB REAL
MEMBER OF ORCO PROPERTY GROUP

www.ipbreal.cz

In 2005, average sales prices rose 5% bringing the average price today to around:

- from €900 to €950 per m² in Brno and Hradec Kralove
 - from €1130 to €1500 per m² in Prague, depending on the location.
- Development costs in Prague are 5-10% higher than in the rest of the

Czech Republic. Several flagship projects were completed or launched in 2004. Overall, there are 17 offerings in progress in the Czech Republic, representing about 3 000 units to be delivered by December 2007. In 2005, Orco will also launch residential projects in Spindleruv Mlyn (renowned ski resort) and in Ostrava.



II ANNUAL REPORT



IPB Real's main offerings:

■ ■ ■ **Kosik/ Slunecny Vrsek – Prague 10**
www.slunecnyvrsek.cz This €100 million project is the fruit of a joint-venture with GE Capital Golub. Located on 85 000 m² of land space, the project is expected to lead to the construction of about 1350 apartments and 40 000 m² of retail space. The initial phase entails the construction of 572 apartments.

■ Repy- Prague 6

Following the acquisition of over 8000 m² in land space, Orco will develop a new project of about 300 apartments. Launching set for August 2005.

■ Medlanky -Brno

In Brno, IPB Real is now offering two projects totaling 622 apartments, with the first deliveries set for June 2005. Orco has opened a new sales office to market this major project.



TWO QUESTIONS FOR

Andrew Smith, Head of the Construction Division and Executive Committee member

What do you remember most from 2004?

A marked reduction in our costs, driven down by Orco's strong purchasing power. Beyond maximizing price-to-quality, we quite simply improved the quality of the delivered product. We have suc-

cessfully rethought client relationships to respond better to the needs of each customer.

What priorities have you set for 2005?

We will reinforce our staff and boost

profitability by cutting the costs of intermediaries while maintaining our reputation as a developer that looks after all the little details that make such a big difference in the quality of the final product.



ZELENE UDOLI → PRAGUE

■ Plachta- Hradec Kralove

Begun in October 2004, this project is located just 15 minutes south-east of the city center. Slated for completion in 2007, 420 apartments will be built in three phases.

ORCO PROJECTS IN PROGRESS

■ Luxembourg Plaza - Prague

This complex of 52 000 m² is ideally located in Prague –Vinohrady, just a few steps from the Metro Flora and the



new business center, Flora Plaza. Luxembourg Plaza includes 22 000 m² of upmarket office space. The office segment is being developed in a (50/50) joint-venture with the TriGranit group. Luxembourg Plaza also includes a three-star hotel with 161 rooms, the "Courtyard Marriott". Developed on 6 000 m² of land, the project was purchased for €3.1 million.

Luxembourg Plaza building site live: <http://82.99.161.120/>

■ ■ ■ www.luxembourgplaza.cz

II ANNUAL REPORT



www.dubovymlyn.cz

DTZ appraised it at €21.7 million in 2004, up from €16 million in 2003. It is contributing to the creation of new shareholder value.

Delivery of the project is slated for the spring of 2006. Work on the site can be followed live at: <http://82.99.161.120/>

■ The Dubovy Mlyn villas - Prague

This upmarket villa project is poised for completion, with the first deliveries due in August 2005. It mainly targets a clientele of expatriates desiring to invest over the long run in Prague.

■ The health clinic at Londynska 39 - Prague

Acquired in 2004 at €800 per m², this building will be delivered in July 2005

to the Asklepion group, which has signed a ten-year lease. Renovated into a private health clinic, the building will generate guaranteed annual rental income of €480 000.

■ Avenue Gardens- Budapest

This is Orco's first purely residential project in Hungary, located in the heart of the beautiful Andrassy district of Budapest. The project consists of over 70 luxury apartments: from studios to four-room apartments, but also offers such services as: a swimming pool, sauna and fitness room. The building will also boast underground parking. The sales price should average €2500 per m².



TWO QUESTIONS FOR

Karen Hartley, Sales Director of Orco Property Group in the Czech Republic

khartley@orcogroup.com

What main items do you remember from 2004 ?

First, rental business increased specially due to winning a tender for the business of DHL's residential development in Central Europe. Second, we upgraded the level of customer service with a 24-hour client help line which increased our

client response time and comfort.

Third, sales of residential units, already fuelled by the demand of first time owners, were also helped by the emerging interest of bulk foreign investors looking for buy-to-let opportunities. And last, a new marketing department and agency were employed to moder-

nize the IPB Real brand and make it part of the Orco group.

What do you expect in 2005?

To increase the market share of IPB Real in Prague to above that of 2004 (30%), to increase standards in the new developments while raising our margins.



AMERICA PARK
→ PRAGUE



■ SKARBKA
Z GCR
→ WARSAW

■ Koliba - Bratislava

Orco bought a 14 000 m² site in the first quarter of 2005 on which it will develop an upmarket residential project, at prices of around €1700 per m².

■ Majolikowa and Skarbka z Gor - Warsaw

These are two land spaces in residential areas of Biololeka in full development. Purchased between the last quarter of 2004 and the first in 2005, over 500 housing units will be built on these sites.

II ANNUAL REPORT



ORCO PROPERTY INVESTMENT

Along with Development, Property Investment is a pillar for the Orco Property Group in the building of an outstanding asset base.

Orco's real-estate investment strategy has not changed: acquire and redevelop assets in the best locations in Central-European capitals. These cities offer still attractive prices, making them comparable to the West in the 70's.

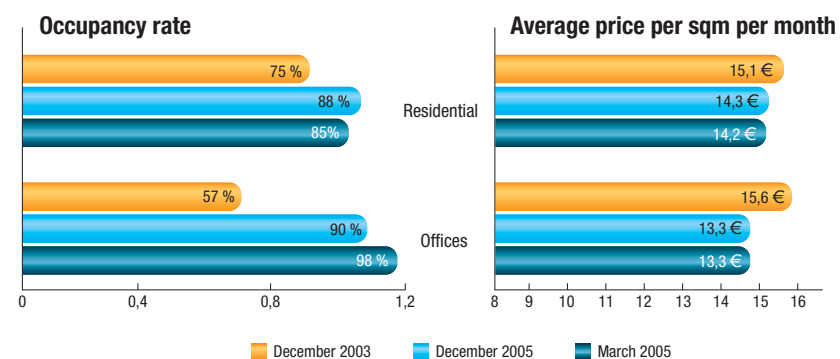
By establishing positions on a variety of cities and asset types, a real-estate investor can cushion himself against cyclical effects while developing an asset base at competitive prices. In this

light, Orco's latest entry on the Berlin residential market is a good illustration of this opportunistic strategy.

In regard to real-estate performances, 2004 was a typical transitional year, with the first-quarter pick-up confirmed as a trend in the second quarter. Orco Real Estate Investment generated €3.5 million in rental income, which is poised to triple over the next two years with the delivery ongoing projects.

OCCUPANCY RATES AND AVERAGE MONTHLY PRICES PER M2 (RESIDENTIAL ABOVE AND OFFICES BELOW)

The office portfolio now essentially consists of class B or class A assets on the outskirts of the city center. The average price per m² of Orco assets falls within the market average.



ORCO BUSINESS CENTER
→ BUDAPEST



ZLOTA CITY CENTER
→ WARSAW

OFFICES

Office occupancy rates were 90% at year-end 2004 and 98% at the end of first-quarter 2005. The 22 000 m² building of Luxembourg Plaza, of which 6000 m² were pre-leased in March 2005.

In Budapest, the Atronyx complex was renamed the "Orco Business Park" and will be offered for acquisition to the Endurance Fund, managed by Orco. Like the Revay building, it will

undergo modernization and refurbishment. « Orco Business park » is home of Danone, Shell, General Motors...

In November 2004, Orco acquired a building on Zlota street, facing a major retail property development, in the heart of Warsaw's historic center. Office, retail and parking spaces represent a net surface area of 7 900 m². Orco is actively studying the possibility of developing a high-rise residential project on this site.

II ANNUAL REPORT



RESIDENCE DIANA
→ WARSAW



THE RESIDENTIAL MARKET

The occupancy rate is also up sharply at 88%, versus 75% in 2003. While the average monthly rent per m² (€14.1) is down €1 from 2003, it remains above the average market price.

As of 2004, our residential assets remain entirely in Prague. At the end of the year,

the Orco Property Group acquired two buildings in buoyant districts in Berlin for €1 490 000 and €1 400 000, or €1023 and €795 per m² respectively. They are completely rented out.

Orco also intends to add in its portfolio, apartments for long term rental from the Budapest and Warsaw projects under development.



TWO QUESTIONS FOR

Steven Davis, Senior Vice President in charge of Central-European operations.

Where did the main acquisitions occur in 2004?

We completed key acquisitions to build up our Property Development and Real-Estate activities on our three main markets: the Czech Republic, Hungary and Poland. Rental performances also improved markedly on the office and residential segments, both in terms of vacancy rates and average prices.

What are your priorities in 2005?

This year, our emphasis is on the continuous growth in sales. Our second priority is to bolster our teams in Hungary, the Slovak Republic and Poland, as we did successfully in Prague, especially on the residential market.



■ NAD PETRUSKOU
→ PRAGUE

II ANNUAL REPORT



ORCO ASSET MANAGEMENT

The division is in charge of portfolio trading and financing, acquisition surveys and the establishment of partnerships/alliances. On average, Orco carries out one acquisition per ten detailed project studies.

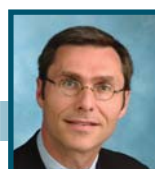
The Asset Management team is involved in several portfolio outsourcings for institutions or banks in Prague and Warsaw.

Orco had an extremely active year in 2004. The staff was bolstered to tackle the requirements of constituting an asset base for the Endurance Fund.

THE ENDURANCE FUND

The Endurance Fund is now under the responsibility of Christoph Manthe, Fund manager.

This fund, restricted exclusively to institutional investors, is in the form of a collective investment fund governed by the Law of 1991 relating to UCITS (undertakings for collective investment in transferable securities), as well as the Law of 2002 on Luxembourg regulations. The CSSF gave a verbal go-ahead on the fund's legal file and the visa is in the process of being approved. The first subscriptions are expected to be collected from investors by the second quarter of 2005. Beyond its role as pro-



TWO QUESTIONS FOR

Luc Leroi, Managing Director of Orco's Luxembourg office and Executive Committee member

How does your work relate to that of the Orco Property Group as a whole?

The work we perform in the early stages of acquisitions is decisive for the success of Orco operations. Each acquisition is analysed in terms of its accounting, financial and cash-flow implications for the group. The Endurance Fund pro-

duct has undergone a top-to-bottom accounting study by our Luxembourg team.

What is your main focus in 2005?

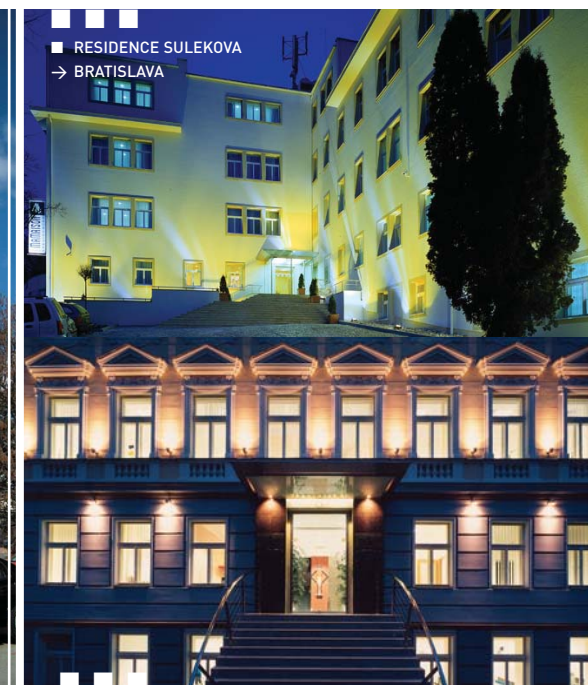
In 2005, we will continue to improve the consolidation of accounts and the quality of our financial communications. As such, we have fortified our accounting

team in order to facilitate the transition to IFRS.

Given the nature of our work, we have a comprehensive view of Orco's businesses. As such, we are continuously adding to the Orco structure before, during and after an operation.



ORCO BUSINESS PARK
→ BUDAPEST



RESIDENCE SULEKOVA
→ BRATISLAVA



REVAY 10
→ BUDAPEST

As such, Orco has been assigned responsibility as Fund Manager. Orco is responsible for the management of fund assets, including acquisitions, disposals, financing and trading. Depending on the location of assets, companies

owning buildings will also be able to call on Orco subsidiaries to assure their property management. Orco has committed to subscribing a minimum of 7% of the fund's capital.

The guarantee of regular sales

An initial acquisition in Budapest was carried out in October 2004. The Orco Business Park is a complex of three office buildings consisting of 18 000 m². With 60% rented out, it offers significant re-evaluation potential. It will be offered to the fund for acquisition.

II ANNUAL REPORT



The Endurance Fund constitutes a guarantee of regular revenue flows for Orco and its subsidiaries.

Remuneration stems from three sources:

- an annual commission for fund management of 2% calculated from total subscriptions;
- a commission on building purchase and sales transactions,
- if need be, a commission on property-management fees on buildings that will be managed by Orco.

THE LAND BANK

The land bank of over 1 000 000 m² is also managed by the Asset Management division and is essentially located in the Czech Republic.

Constant replenishment of the property portfolio is essential to the Orco Property Group's development. This entails provi-

ding the property development division with the land sites for its future projects. At the same time, it is important to take advantage of the cycles of each country in order to build up the land bank at the lowest price while guaranteeing competitive products to clients.

The Benice land site is crucial to this land bank. 602 000m² located 13km from the Prague city center, including 110 000 m², with a zoning permit expected in the first half of 2006, and 492 000 m² by year-end 2010 at the latest. Orco is working to obtain the latter permit earlier.

The price of land per m² in Prague with a building permit came to €200 as at December 31, 2004. DTZ appraises this asset at €18 million (i.e. €30 per m²) versus €4.7 million at year-end 2003. As such, this land site still contains substantial re-evaluation potential.



KOSIK → PRAGUE



BONICE LAND BANK → PRAGUE



TWO QUESTIONS FOR

Ales Vobruba, Senior Vice President in charge of Central-European operations.

What do you view as the highlights of 2004?

From the managerial standpoint, the successful integration of the IPB Real staff within the Orco Property Group, despite different corporate cultures. The recruitment of new and valuable person-

nel has given birth to a highly effective Property Development team, especially on the mid-range residential market.

What are you targeting in 2005?

We are targeting secondary cities in countries that we know well, but we are

also targeting territories in emerging markets, such as Croatia and Moscou. And lets not forget retail centers, which are now at the core of our investment strategy.



TWO QUESTIONS FOR

Pavel Klimes, Development Director and member of the Executive Committee

How would you summarize the year 2004?

Out of the 200 projects, sites and buildings appraised in Central Europe, several led to acquisitions, representing a potential of 1200 apartments. We obtained building permits on over 800 apartments and two extended-stay hotels.

We made a major effort to determine the development needs on the Benice project, a 60-hectare land site acquired with the IPB Real portfolio. As a result of our efforts, we were able to speed-up the administrative process so as to begin work in 2006, instead of 2010.

What do you expect out of 2005?

We will continue to build up a strong land bank for our future projects while maximizing the value of the Benice land sites. The Slovak Republic will also be a top priority for our residential business.

II ANNUAL REPORT



ORCO HOTEL COLLECTION

The Orco Hotel Collection offers luxury hotel services in the context of a warm atmosphere and personal design, unlike in chain hotels.

Orco trusts hospitality assets contain a huge upside in the mid term.

This subsidiary of the Orco Hotel Group possesses four establishments in operation and one hotel in construction. It currently offers 330 bedrooms to clients in three countries. This business generated sales of €7.9 million in 2004.

The Orco hotels are ideally located in the city center. Three of them are members of the international networks, "Small Luxury Hotels of the World" and "XO Private Collection". These affiliations and ensuing quality standards assure the flow of a highly prestigious international clientele.

www.orcohotelcollection.com

RENOVATION FOR HIGHER PROFITABILITY

Renovations were undertaken in 2004, with a view to making Orco hotels more comfortable and attractive to clients:

- renovation of the Andrassy Hotel lobby and restaurant in Budapest;
- the opening of 17 new bedrooms and apartments in the Imperial Hotel of Ostrava, designed for extended stays in the spirit of the MaMaison Residences product line. Refurbishing the hotel will continue in 2005.
- the creation of a restaurant and 32 new bedrooms at the Riverside Hotel in Prague (work begins in 2005)

The hotel, Le Regina, opened in the



LE REGINA HOTEL → WARSAW



LE REGINA HOTEL → WARSAW

early summer of 2004 and was named the "best overall development of the year" by the "Construction and Investment Journal." The prestigious travel magazine, Condé Nast Traveler, puts Le Regina on its 2005 "Hotlist" and names it the "Best Hotel in Warsaw."

Apart from their highly prestigious addresses, the added value of these establishments contributed, once again in 2004, to the valuation of Orco's property portfolio, as indicated by DTZ's appraisal, and confirm our investment strategy.



TWO QUESTIONS FOR

Gilbert Irondelle, Managing Director of the Orco Hotel Collection and Executive Committee member.

How is the Hotel division doing?

In 2004, we consolidated the revenues of our first three hotels. The fourth establishment — the Regina of Warsaw — opened its doors in June and is already widely acclaimed.

What are your predictions for 2005?

Apart from improving our RevPar, 2005 will be marked by two major projects: the beginning of work for the extension of the Riverside Hotel in Prague, with

the addition of 32 new rooms and a restaurant and; the formation of a dedicated team to develop the fantastic Hvar project in Croatia. There is a lot of work ahead of us!!

II ANNUAL REPORT



MAMAISSON RESIDENCES

MaMaison Residences the only collection of luxury serviced apartments in Central Europe remains the Orco Property Group's primary investment vehicle for setting up operations in new territories. Its property portfolio now includes seven residences and nearly 230 apartments.

Tourist and business clients continue to be attracted to this still original lodging concept in Central Europe joining quality services to flexible stays. Clients like the flexibility of staying one week or one year in a well-located and comfortable apartment. Prices are well below those of a luxury-hotel room and meet the exacting demands of professionals on the go. MaMaison Residences attracts a demanding clientele, with its numerous services, but also with an appealing design and quality equipment. The brand, as well as its clientele, is clearly

distinguished from traditional hotel-apartments and other similar establishments.

RECENT OPENINGS

Three new residences opened their doors in 2004 and early 2005:

- Residence Pachtuv Palace (Prague), opened in September, boasts an excellent location: a baroque palace at the foot of the Charles Bridge. More luxurious than Orco's Vinohrady residences in Prague, it is oriented toward high-end



www.mamaisonresidences.com



TWO QUESTIONS FOR

Nicolas Tommasini, Vice President of Orco and CEO of MaMaison Residences

What were the high points for MaMaison Residences in 2004?

In 2004, we consolidated the revenues. The regional development of MaMaison Residences really took off, with the opening of the residences, Pachtuv Palace in Prague, Sulekova in Bratislava and Diana in Warsaw in April 2005.

In 2004, for the first time in Central Europe, hotel assets became the object of pure investment transactions. Thanks to its prospecting work throughout the region, starting with Croatia and Russia, the Hospitality Division has become Orco's development spearhead in the new territories.

What are your focal points of development in 2005?

The consolidation of the hospitality teams (especially in sales and operations), alone, will enable MaMaison to grow rapidly, through own brand, facilities management or franchise contracts. And of course, the acquisition and opening of new residences.



RESIDENCE DIANA → WARSAW



RESIDENCE SULEKOVA → BRATISLAVA



RESIDENCE PACTHUV PALACE → PRAGUE

■ ■ ■ tourist and business stays.

- Residence Sulekova, opened last November in Bratislava, quickly established itself in the MaMaison Residences network, obtaining a 50% room-occupancy rate a few months after its opening. It benefits from the Slovak capital's strong appeal to numerous foreign investors, including the carmakers, Hyundai and Peugeot.

- Residence Diana, opened on April 15,

2005, is in the heart of historic Warsaw. Apart from its 46 apartments, the hotel hosts the Goethe Institute and retail spaces.

The new openings in 2004 and those planned for 2005-06 will help create a genuine Central-European network of renowned residences, thereby broadening the product line and reinforcing the brand image of MaMaison Residences. This subsidiary should have about twenty residences by around 2008.

II ANNUAL REPORT



TOWARD NEW TERRITORIES

The Orco Property Group will expand in the new investment countries, where it can profit from its successful experience in the Czech Republic.

In 2004, the Orco Property Group set up operations in one of the great cities of Central Europe: Berlin. With prices at half of those in Prague or Budapest and one-fifth of those in Moscow, the German capital is a very appealing investment opportunity.

Negotiations for the first two buildings bought by Orco were wrapped up quickly. These are two fully-occupied residential products in very good locations, offering good yield potential, given the recent upward move in prices and rents.

A FANTASTIC CONTRACT IN CROATIA

Well known by Orco, thanks to its Zagreb subsidiary, Croatia has incredible tourist potential. Inspired by the high prices on coasts of south of France and Spain, Orco is betting that Croatia will see a strong price increase in value over the next years.

With five locations classified as World Heritage sites by UNESCO and eight national parks, this nation of 4.5 million inhabitants and nearly 1200 islands attracts more tourists every year. The



HVAR ISLAND → CROATIA



TWO QUESTIONS FOR

Dragan Lazukic, Development director in Croatia, Executive Committee member

What made 2004 such a year of change for you?

Because I went from being the Chief Financial Officer to Development Director in the Balkans. But first I had to integrate the accounting and finance staff of IPB Real and assure the consolidation of group revenues, which rose from €22 million to €72 million.

While working to ensure a smooth transition for my successor, I did the groundwork for setting up Orco operations in Croatia. This entailed working to develop close ties throughout the region and preparing our tender bids, both in Zagreb and Belgrade, all of which helped to mould the Orco image as a serious long-term investor.

What are your priorities in 2005?

While remaining focused on the Hvar project, we will continue to respond to tender calls, especially from the Croatian Privatization Fund. That is why our priority will be to create a local team of professionals around a solid core of experienced Orco managers.

World Tourism Organization says Croatia will be the fastest-growing European destination from now until 2020. Since 2003, Orco has been assiduously studying acquisition opportunities through privatizations. The Croatian Privatization Fund has launched calls for tender bids for the sale of 31 State enterprises in the tourism sector. Orco participated in several of these ten-

der calls and concentrated its efforts on the privatization of the fabulous Suncani Hvar properties and businesses, representing nearly 90% of the hotel assets in Hvar. The contract was concluded in April 2005. Heartened by this first victory, the Orco Property Group is participating in other tender calls of the Croatian Privatization Fund.

II ANNUAL REPORT



ORCO, A CITIZEN COMPANY

The Orco Property Group is committed to using local materials expertise with a view to highlighting the quality of these real-estate and hotel assets. As such, Orco gladly embraces traditional crafts, such as mosaics and the restoration of frescos, especially in the renovation of our hotels.

The works of European painters and sculptors ordered by Orco have several roles to play: they support artistic crea-

tion; they add that special touch to our buildings and hotels that distinguishes the Orco brand from other real-estate operators and; they show our clients that we take the time and the interest to create an agreeable visual environment for them.

The Orco Property Group continues to work on behalf of children in difficulty via charitable work, notably in the Czech Republic and Poland.



MAURIZIO TOFFOLETTI EXHIBITION → PARIS



ORCO CONTRIBUTION TO COW PARADE → PRAGUE

II ANNUAL REPORT



KEEPING UP-TO-DATE

To keep track of the Orco Property Group share price

ISIN code: LU0122624777

Reuters code: ORC.PA-Code

Bloomberg code: ORC_FP_EQUITY

■ The Orco web site is now available in five languages in order to provide clear and easy access to shareholder information: French, English, Czech, Hungarian and Polish.

All financial information, including press releases, consolidated accounts, financial analyses, live stock prices and the annual report can be consulted at: www.orcogroup.com.

This report is also available in Czech and French on our website.

For additional information, please contact: contact@orcogroup.com

INVEST IN ORCO

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