27 November 2012 Press Release

Orco Property Group – Q3 2012 financial information

The Group strengthens its balance sheet and increases its stake in Orco Germany

First 9 months financial highlights

- Revenue slightly decreasing to EUR 115 Million year on year, while Adjusted EBITDA increased by EUR 8 M to EUR 33 M
- Adjusted EBITDA Interest Coverage Ratio pro forma[1] reaches 96% compared 58% in 2011
- Net loss at EUR 31 Million, including a global impairment of EUR 27 Million on Sky office
- Expected full year revenues between EUR 250 and 270 Million, including the sale of Sky office for EUR 117 Million

Key recent achievements:

- ORCO Germany (OG) deleverage is executed with 84.5% of bonds or EUR 109 Million that have been equitized through the issue of some 26 Million new OPG shares in repayment of the first and second tranches of the OCA[2]. The remaining EUR 20 Million bonds, recorded on the consolidated balance sheet as of 30 September 2012, have been exchanged against New OPG Notes early October. The difference between the book value of the OG bonds and the OCA generated a EUR 33 Million net non-cash financial gain.

  OG equity increased by EUR 107 Million as of 30 September 2012. As all these new shares have been subscribed by OPG or its subsidiaries against the acquired 84.5% of the bonds issued by OG, the Group now holds 98% of OG compared to 92% as of December 2012.

- OPG deleverage is executed with 90% of the OPG Safeguards bonds being converted in some 65 Million new OPG shares on the 3rd September 2012. As of 30 September 2012, 10% of the 5 lines of OPG bonds remain in the consolidated balance sheet at their amortized book value based on effective interest rates, EUR 20 Million net of own bonds. The exchange of these 10% against new OPG notes in Q4 will lead to the recognition of a non-cash loss of EUR 33 Million before restructuring costs.

  Following the finalization of both OG and OPG bonds restructuring, OPG's share capital has increased from 35 Million to approximately 107.8 Million shares and equity has accordingly been re-enforced by EUR 292 Million.

- A club of five German banks confirmed on the 18th October 2012 the main terms and conditions for granting EUR 270 Million to GSG, OG's fully consolidated subsidiary. Signature of the new loan agreement is expected in the coming days while closing is expected to take place in December of this year.

- The Sky Office Building sale contract was signed on the 17th October 2012 to equity only buyer Allianz for EUR 117 Million with a closing expected on 30 November 2012. The sale quickly followed failure in September to close a previous agreement and generated supplementary impairments of EUR 13.2 Million in Q3. The timely transaction of Sky was necessary as sales proceeds, together with refinancing, are to ensure full repayment of GSG's existing RBS facility which today amounts to EUR 284 M.

  The New Notes, issued by OPG in October 2012, include in their terms an early repayment obligation corresponding to 25% of the net cash proceeds in case of sale of specified assets. Sky office is one of these assets but from the net cash proceeds one has to deduct the GSG refinancing gap estimated to EUR 17 Million. The amount of such early payment after the sale of Sky Office building is currently estimated to EUR 0.8 Million. The final amount will only be known early 2013 after the closing of the GSG refinancing and having received all invoices of costs linked to the transactions.

  Sale in May 2012 of Radio Free Europe Building in Prague for USD 94 Million, including 80 Million in cash, USD 2 Million in concessions, plus a USD 12 Million note convertible into a 20% stake in the parent company of the entity acquiring the building.

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[1] Pro forma : interest expenses are adjusted to replace the bonds interest expenses by the interest expenses on the new notes issued by OPG early October 2012
[2] OCA : Obligations Convertibles en Actions issued by OPG

1 Unaudited Profit and Loss Statement

	9 months 2012	9 months 2011	3 months Q3 2012	3 months Q3 2011
Revenue	**114,953**	**117,440**	**45,498**	**43,870**
Sale of goods	*21,899*	*26,401*	*7,897*	*6,802*
Rent	*52,046*	*51,060*	*16,950*	*16,846*
Hotels, Extended Stay & Restaurants	*27,060*	*25,655*	*16,311*	*15,061*
Services	*13,947*	*14,323*	*4,339*	*5,161*
Net gain or loss from fair value adjustments on investment property	(5,275)	3,084	35	3,435
Other operating income	6,027	579	505	209
Net result on disposal of assets	1,230	11,070	345	18
Cost of goods sold	(22,856)	(25,630)	(9,245)	(8,731)
Employee benefits	(21,320)	(21,603)	(7,727)	(7,545)
Amortisation, impairments and provisions	(39,941)	(4,898)	(14,135)	(1,313)
Other operating expenses	(43,842)	(46,302)	(17,285)	(15,106)
Operating result	**(11,023)**	**33,739**	**(2,011)**	**14,835**
Interest expenses	(56,278)	(61,768)	(16,668)	(20,168)
Interest income	2,605	2,781	859	362
Foreign exchange result	12,947	(6,229)	3,021	(18,893)
Other net financial results	28,302	1,665	(2,691)	(3,906)
Financial result	**(12,424)**	**(63,550)**	**(15,478)**	**(42,605)**
Profit or loss before income taxes	**(23,447)**	**(29,811)**	**(17,488)**	**(27,770)**
Income taxes	(6,334)	(2,779)	(2,494)	(2,336)
Profit from continuing operations	**(29,780)**	**(32,590)**	**(19,982)**	**(30,106)**
Profit or loss after tax from discountinued operations	-	(2,298)	-	1,044
Net profit or loss for the period	**(29,780)**	**(34,888)**	**(19,982)**	**(29,062)**
Total profit or loss attributable to:				
Non controlling interests	1,134	4,666	3,929	2,988
Owners of the Company	**(30,914)**	**(39,553)**	**(23,912)**	**(32,050)**

Year on year, **the first 9 months** of 2012 revenue is slightly decreasing to EUR 115.0 Million compared to EUR 117.4 Million as a result of the long term strategy of limiting the Development activity to few opportunistic developments, leading to a decrease in Development revenues, partially compensated by an increase in Property Investments despite asset sales. Operating result excluding net result on disposal of assets and net gain or loss from fair value adjustments on investment property decreased by EUR 26.6 Million mainly as a result of the impairments on Sky Office amounting to EUR 26.8 Million. Financial results are strongly impacted by a foreign exchange gain of EUR 12.9 Million mainly due to the drop of the Hungarian Forint and the Polish Zloty against the Euro, and by the gain of EUR 33.1 Million on the OCA conversion recognized in other net financial results.

Year on year, **the third quarter** revenue increased by EUR 1.6 Million to EUR 45.5 Million, mainly driven by the Hospitality activity in Croatia (EUR 1.3 Million), the sale of Vavrenova residential development slightly above book value for EUR 2.9 Million, partially compensated by the decrease in Residential activity in the Czech Republic for EUR 1.4 Million and in Poland for EUR 0.6 Million. Over the same period, the operating costs increased by EUR 2.2 Million, mainly due to the Sky Office acquisition cost of new tenant.

The impairments over the third quarter of the year increased by EUR 12.8 Million compared to the same period in 2011, mainly as a result of those recognized on Sky Office for EUR 13.3 Million, partially compensated by lower impairment on development inventories and hotels for EUR 1.0 Million. The Q3 interest expenses decreased, year on year, by EUR 3.5 Million mainly driven by the repayment of loans upon sales in Germany and the Czech Republic with Radio Free Europe.

1.1 Revenue by segment

	Development	Property Investments	Total
YTD Revenue			
As at 30 September 2012	27,286	87,666	114,952
As at 30 September 2011	32,308	85,133	117,441
Variation	(5,022)	2,533	(2,489)
3 Months Revenue			
Q3 2012	10,423	35,073	45,496
Q3 2011	8,830	35,040	43,870
Variation	1,593	33	1,626

1.1.1 Property Investments

The 9 months Property Investments revenue increased by EUR 2.5 Million, year-on-year, reaching EUR 87.7 Million.

- **Commercial rental portfolio**

Rental revenue increased year-on-year by EUR 1.0 Million. The positive impacts of the increased occupancy in GSG commercial spaces (EUR 0.9 Million), the recognition of the first revenue from Vaci 1 after partial opening (EUR 0.8 Million) and the general improvement in the Czech Republic (EUR 0.8 Million) are partially compensated by the decrease of the Radio Free Europe contribution (EUR -1.4 Million).

Over Q3 2012, the rental portfolio improved further its performance most notably in Germany. Quarter on quarter, occupancy rate marginally has improved by 10 bps, driven by a 70 bps occupancy increase to 80.0 % or a take up of 4,524 sqm on the Berlin portfolio. Average rent increase from 5.05 EUR/SQM to 5.09 EUR/SQM mainly driven by the portfolio in the Czech Republic and Hungary while German rents remain stable.

On a year on year basis, pro forma of the disposal of Radio Free Europe in Q2 2012, the occupancy rate of the total portfolio increased by 210 bps. The main driver of this increase is the German portfolio with an increase of 270 bps of the occupancy rate together with a stable average rent while the Group is pursuing its efforts to rent assets location in more challenging leasable area.

	GLA (SQM)				Occupancy (%)				Average Rent EUR/SQM			
Portfolio per Country	Sept. 2012*	June 2012*	March 2012*	Sept. 2011*	Sept. 2012*	June 2012*	March 2012*	Sept. 2011*	Sept 2012*	June 2012*	March 2012*	Sept. 2011*
Prague, Czech Republic*	130,049	130,049	130,049	129,925	78.5%	80.6%	80.4%	73.7%	5.52	5.21	5.17	5.20
Budapest, Hungary**	40,132	40,257	40,257	29,598	11.2%	16.6%	15.6%	9.3%	20.54	14.93	16.16	20.43
Warsaw, Poland	36,598	36,598	36,598	36,630	81.9%	81.9%	94.9%	83.9%	3.32	3.21	3.02	2.98
Bratislava, Slovakia	8,220	8,220	8,220	8,220	53.2%	51.8%	44.3%	39.9%	5.60	5.78	6.74	6.10
Capellen, Luxembourg	7,695	7,744	7,744	7,744	86.3%	86.3%	85.9%	85.9%	21.98	22.83	22.34	22.25
Berlin, Germany***	839,018	839,931	839,244	851,133	80.0%	79.3%	78.8%	77.3%	4.83	4.83	4.81	4.85
Portfolio Data	**1,061,713**	**1,062,798**	**1,062,112**	**1,063,250**	**77.1%**	**77.0%**	**76.9%**	**75.0%**	**5.09**	**5.05**	**5.02**	**5.02**

Those figures are pro forma after disposal of Radio Free Europe.

*: after audit, the current estimated leasable area of Bubenska got reduced to 17,575 sqm meanwhile potential GLA of the asset is increased to 30,549 sqm. Starting September 2011, ratio and per sqm figures are calculated on the basis of 17,575 sqm.

** : Vaci 1 is included in the portfolio of asset in Hungary starting January 2012 and included in the figures presented for 2012

***: Assets part of GSG and other office assets in Berlin are now presented on the same line.

In Central Europe, pro forma of the disposal of Radio Free Europe in Prague, the operational performance of the portfolio is improved with an increase of the occupancy rate to 66.3% as of September 2012 compared to 65.6% as of September 2011. In the meantime the average rent increases from EUR 5.84/SQM up to EUR 6.28/SQM as of September 2012 demonstrating the improving letting performance.

In Prague, the main drivers are Na Porici now let at 76% (vs 64% in September 2011), Hradcanska now let at 61% (vs 50% in September 2011) and Stribro now let at 50% (vs 39% in September 2011). The Group is studying the re development of the Bubenska office building to take advantage of the full potential GLA of 30,549 sqm. Meanwhile, the asset is let with short term leases and is now occupied at 61% after the departure of a significant tenant.

In Slovakia, the Group is pursuing its strategy of filling up with minimum capital expense the retail center of Dunaj now let at 53%.In Budapest, the operational performance of the Hungarian portfolio remains problematic. The market average vacancy rate for office asset is still extremely high at a level of 21.5%. In Q3 2012, Paris Department Store is the main driver of the decrease of occupancy (40% vs 72% in Q2 2012) after a lease cancellation. Included in the rental portfolio since January 2012, Vaci I demonstrates the strong quality of its location and features through the good performances of the opened shops.

- **Hospitality**

Year on year the hospitality portfolio demonstrates a significant increase of EUR 1.7 Million to EUR 28.9 Million as of September 2012. The Suncani Hvar portfolio is the main contributor with a strong summer season, the revenue has increased by 9% up to EUR 16.4 Million and an the GOP increased by 18%, resulting of an operational restructuring, a tight cost containment plan and a full financial restructuring.

The CEE portfolio presents an increase of 2% to EUR 12.5 Million of its revenue. On GOP of the portfolio presents an increase of 6% year on year. Despite a difficult year with regard external factors, the Hotel operating performance results increased.

1.1.2 Development

- **Commercial**

Year on year , the commercial revenue slightly decreased to EUR 5.8 Million from EUR 6.3 Million over the same period in 2011, explained mainly by the absence of performance revenue from past sale of H2 Office in Duisburg.

In Germany, the increase of occupancy of Sky Office continued, with revenue of EUR 5.6 Million over 9 months 2012, to be compared with EUR 5.4 Million in 2011. On the 17 October, the Group disclosed the successful signature of a sale contract of the asset to Allianz. The selling process is expected to be completed end of November. The asset sale price amounts to EUR 117 Million net of transfer taxes.

- **Residential**

In line with the Company's strategy to reposition from mass development to specific opportunistic developments, the number of projects launched over the past years dramatically reduced. Development sales have therefore continued decreasing by EUR 7.3 Million to EUR 18.5 Million, year on year, mainly with the Czech Republic EUR -10.3 Million partially compensated by the increase of sales in Germany (EUR 1.3 Million), Slovakia (EUR 1.3 Million) and Poland (EUR 0.5 Million).

In central Europe, 87 units have been delivered (26 in the Czech Republic, 16 in Slovakia and 45 in Poland) over the past 9 months of 2012 or close to 40% of the opening inventory of completed units compared to 146 over the same period in 2011. As to completed projects, the total backlog is made of 104 completed residential units, for total expected sales of EUR 22.9 Million with no bank loans. 8 of the completed units are covered by a future purchase or a reservation contract.

In 2012, the Group successfully started the pre-sales of the project Mezihori in Prague with a level of almost 40% future purchase and reservation contracts signed while the superstructure is expected to be completed by December 2012 and occupancy permit is planned for August 2013. The project was financed with minimal Group cash contribution in exchange of the disposal of the non-strategic project Pivovar Vrchlabi to the general contractor. A construction loan agreement with Unicredito has been signed in November 2012. In Warsaw, 70% of the façade of Zlota 44 is now finished and, with the steel peak completed at the end of October 2012, the global construction progress is now estimated at 60% completed. The Group is actively working on the preparation of the opening in 2013 with the support of a new marketing strategy. Projects under construction, including Zlota 44, Benice and Mezihori, present a total backlog of 438 units of which 120 are covered by future purchase or reservation contracts.

1.2 Operating expenses

Operating expenses including employee benefits amount to EUR 65.2 Million as of September 2012 decreasing by EUR 2.7 Million compared to September 2011. Employee benefits, representing 34% of the operating expenses, show a slight decrease of EUR 0.3 Million (3%) compared to the same period of 2011

The main driver remains the reduction of the overheads as measures by the shared service companies' costs of EUR 2.9 Million, in particular with the legal fees for EUR 1.7 Million, the leases & rents costs for EUR 0.6 Million and the salaries, travels & representation costs for EUR 0.5 Million. The taxes other than income tax are also contributing to the decrease by EUR 0.6 Million.

On the other hand, the direct operational costs have increased by EUR 0.9 Million, mainly explained by one-off tenant acquisition costs on Sky office for EUR 1.9 Million, the advertising and marketing fees on Zlota 44 in Poland for EUR 0.2 Million, the building maintenance and utilities supplies increases related to the opening of Vaci 1 in Hungary for EUR 0.2 Million, partially compensated by costs decrease on other projects like in the Czech Republic with the sale of Radio Free Europe improving building and maintenance costs by EUR 0.5 Million and in Croatia with the Suncani Hvar portfolio decreasing operating costs by EUR 0.2 Million.

1.3 Adjusted EBITDA[3]

The adjusted EBITDA amounts to EUR 33.0 million for the first nine months of 2012 compared to EUR 24.5 million in 2011 over the same period. In the Property Investments business line, the increase of EUR 7.4 million results from a higher level of occupancy, an improvement of the rental revenue and contained operational costs both in services and rental activities. In the Development business line, the year on year improvement by EUR 1.1 million as of end of September is mainly related to the stability of the residential sale prices realized over Q3 2012, despite one off costs of Sky office building.

	Development	Property Investments	TOTAL
Operating Result - 9m 2012	**(38,022)**	**26,999**	**(11,023)**
Net gain or loss from fair value adjustments on investment property	(1,343)	6,617	5,274
Amortisation, impairments and provisions	36,890	3,052	39,942
Net result on disposal of assets	(1,274)	43	(1,231)
Adjusted EBITDA - 9m 2012	**(3,749)**	**36,711**	**32,962**
Adjusted EBITDA - 9m 2011	**(4,827)**	**29,310**	**24,483**
Variation YoY	1,078	7,401	8,479

1.4 Properties valuation adjustments and impairments

The net result from fair value adjustments on investment properties, as at September 2012, amounts to a loss of EUR 5.3 Million compared to a net profit of EUR 3 Million as at September 2011. Nevertheless, it is stable compared to June 2012 as no changes in valuation have been recorded over the third quarter 2012.

The impairments on buildings and inventories amount to EUR -30.4 Million compared to EUR -8 Million of the same period in 2011, mainly related to the adjustment of the Sky Office building impairment, for EUR -24.2 Million compared to the EUR -13.6 Million as at June 2012. Its impairment was estimated on the basis of the signed sale contract to Allianz which followed the failure to close a previous agreement. The Company initiated litigation with the earlier party involved in the negotiation. The timely transaction of Sky was necessary as sales proceeds, together with refinancing, are to ensure full repayment of the existing GSG's existing RBS facility which today amounts to EUR 284 Million.

The other recognized impairments are in line with the ones as at June 2012.

1.5 Net gain or loss on the sale of assets

During the first nine months of 2012, EUR 97.0 Million in asset sales have been recognized in the income statement, mainly related to the building Radio Free Europe for EUR 70.0 Million, few GSG assets for EUR 6.7 Million, Hüttenstrasse for EUR 6.5 Million and Ku-Damm 102 for EUR 6.3 Million. These sales, executed at prices slightly above DTZ value generated net accounting profit of EUR 1.1 Million and a net cash inflow of EUR 42.9 Million.

[3] The adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortization, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries.

1.6 Financial Result

1.6.1 Interests

Over the first 9 months of 2012, interest expenses amount to EUR 56.3 Million, a decrease by EUR 5.5 Million compared to last year. Excluding the interests on bonds, interest expenses decreased by EUR 8.0 Million to EUR 28.7 Million over the first 9 months of 2012 compared to EUR 36.7 Million in 2011.

Net interest expenses and Adjusted EBITDA for the first 9 months of 2012 are split as follows:

- Bank loan interests on rental properties amount to EUR 17.9 Million compared to an adjusted EBITDA contribution of EUR 22.5 Million mostly driven by GSG.
- Bank loan interests on hospitality properties amount to EUR 5.4 Million compared to an adjusted EBITDA contribution of EUR 7.1 Million
- Bank loan interests on development projects amount to EUR 5.4 Million compared to an adjusted EBITDA contribution of EUR -3.7 Million.
- Interest income amounts to EUR 2.6 Million.

The Interest Coverage Ratio (ICR) pro forma[4] increased from 58% in September 2011 to 96% in September 2012 mainly due to the Property Investments performance with an increase of EUR 7.4 Million of adjusted EBITDA together with a decrease of bank loans. As of September 2012, existing bonds interest (non-cash) amount to EUR 27.5 Million.

1.6.2 Foreign exchange differences:

Over 2012, most Central European currencies strengthened against the Euro resulting in a EUR 12.9 Million gain compared to a loss of EUR 6.2 Million over the same period in 2011. These positive foreign exchange differences mainly arise on CEE financing liabilities which are usually in Euros and USD, while the operational currency of the local company is the local currency. The main contributors are Hungarian assets with a net gain of EUR 8.4 Million of which Vaci I (EUR 4.3 Million), Paris Department Store (EUR 1.7 Million) and Szervita (EUR 1.1 Million), the hospitality assets (EUR 2.6 Million) and Polish assets (EUR 1.2 Million) of which Marki (EUR 0.8 Million).

1.6.3 Other net financial results:

Other net financial results for the first nine months of 2012 of EUR 28.3 Million are essentially related to the conversion into equity of the German bonds with the recognition of a gain corresponding of the difference between the fair value of the issued OCA and the book value of 85% of the bonds acquired by the Company as of June 2012. Other net financial results also include the gains on interest rate swaps more than compensated by the reduction in value of the profit participation loan granted to the joint venture.

	9 months 2012	9 months 2011	Changes
Change in carrying value of liabilities at amortised cost	32,771	-	32,771
Change in fair value and realised result on derivative instruments	1,581	(989)	2,570
Change in fair value and realised result on other financial assets	(2,786)	2,317	(5,103)
Other net finance gains or losses	(3,265)	385	(3,650)
Total	**28,301**	**1,713**	**26,588**

[4] Pro forma : interest expenses are adjusted to replace the bonds interest expenses by the interest expenses on the new notes issued by OPG early October 2012

2 Unaudited consolidated interim balance sheet

The balance sheet as of 30 September 2012 is established before the issuance of the New Notes and integrates the EUR 20.0 Million net book value of OG bonds to be exchanged as well as the EUR 20.2 Million net book value of the 10% of OPG Safeguard bonds to be exchanged.

ASSETS	30 September 2012	31 December 2011
NON-CURRENT ASSETS	**1,132,766**	**1,190,417**
Intangible assets	**47,435**	**47,783**
Investment property	**806,875**	**872,316**
Property, plant and equipment	**155,328**	**156,865**
Hotels and owner occupied buildings	141,767	142,659
Fixtures and fittings	13,561	14,206
Financial assets at fair value through profit or loss	**44,865**	**46,787**
Financial assets available-for-sale	**9,387**	**-**
Non current loans and receivables	**68,875**	**66,666**
Deferred tax assets	**-**	**-**
CURRENT ASSETS	**490,316**	**511,956**
Inventories	378,674	382,279
Trade receivables	28,392	36,145
Other current assets	43,024	32,279
Current financial assets	244	29
Cash and cash equivalents	35,927	37,095
Assets held for sale	4,055	24,129
TOTAL	**1,623,082**	**1,702,373**

EQUITY & LIABILITIES	30 September 2012	31 December 2011
EQUITY	**520,045**	**275,199**
Equity attributable to owners of the Company	**509,040**	**263,195**
Non controlling interests	**11,004**	**12,004**
LIABILITIES	**1,103,037**	**1,427,174**
Non-current liabilities	**382,138**	**509,439**
Bonds	40,225	163,380
Financial debts	210,969	239,225
Provisions & other long term liabilities	32,912	14,326
Deferred tax liabilities	98,032	92,508
Current liabilities	**720,899**	**917,735**
Current bonds	-	119,923
Financial debts	580,476	620,835
Trade payables	19,686	16,366
Advance payments	47,859	35,250
Derivative instruments	15,312	41,153
Other current liabilities	57,566	68,316
Liabilities linked to assets held for sale	-	15,892
TOTAL	**1,623,082**	**1,702,373**

For more information,
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