2 June 2014 Press Release

ORCO PROPERTY GROUP

Q1 2014 financial information

Loss of control over GSG GROUP (formerly ORCO Germany S.A.) results in significant balance sheet contraction and contributes to net loss of EUR 53.4 Million for Q1

Key recent events

- Acquisition of PEKAO receivable: ORCO PROPERTY GROUP ("OPG" or the "Company, and together with is subsidiaries as the "Group") concluded on 17 April 2014 an agreement with Bank PEKAO for the acquisition of loan receivables and collateral related to the Zlota project in Warsaw. The acquisition of the loan by OPG prevents bankruptcy of Zlota project and allows OPG to proceed with an ordered sale of the project to another developer or investor without an excessive time pressure. Such process is expected to reduce the loss for the Group compared to a sale orchestrated by the lending bank and the related exercise of the corporate guarantees granted by OPG.

  On 28 April 2014, OPG entered into an agreement concerning disposal of 108 Million shares it holds in GSG GROUP. The total sales price amounts to EUR 55 million. The completion of the disposal of the GSG GROUP shares is subject to certain conditions, including the approval of the Paris Commercial Court. The buyer agreed to provide OPG with an advance payment of the purchase price of EUR 55 Million. The advance payment of the purchase price was used for the financing of acquisition of the PEKAO receivable. In the event that the conditions for the completion of the transfer of the GSG GROUP shares will not be met within 60 days, OPG will have to reimburse the advance payment of the purchase price in additional 60 days. The reimbursement of the advance will be secured by pledge on the GSG GROUP shares and certain other covenants.

  The sale of the Zlota project is an important element for the going concern of OPG. Were the Group not be successful in closing the sale in the coming months, further sales of liquid assets such as GSG GROUP shares would have to be realized.

- Change in the management: On 18 March 2014, the Board of Directors decided to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor, and agreed to comply with their termination packages. The change of the executive management resulted in the extraordinary expenses related to the termination of the former management of EUR 8.5 Million, of which EUR 6 Million was paid in kind over Q2 2014. The expenses are fully recognized under the employee benefits of the first quarter of 2014. The Company expects major savings related to employee benefits in the future. Following the change, the Board has appointed Tomáš Salajka as CEO and Jiří Dedera as Managing Director of OPG.

- Change in the Board of Directors: The Extraordinary General Meeting of shareholders held on 8 April 2014 acknowledged the resignation of Mr. Jean-Francois Ott from the Board of Directors of the Company as of 27 March 2014. The General Meeting resolved to approve the appointment of Mr. Tomáš Salajka to the Board of Directors. As such, the Board of Directors of the Company is now comprised of five members: Jiri Dedera, Edward Hughes, Tomáš Salajka, Radovan Vitek and Guy Wallier.

- Loss of control over GSG GROUP (formerly ORCO Germany S.A.) and its subsidiaries: over March and April 2014, capital increases in GSG GROUP were subscribed in cash for a total of EUR 51 Million by Stationway Properties Limited, an entity affiliated with Mr. Jean-Francois Ott, and by two other shareholders of OPG (Alchemy Special Opportunities Fund II LP and Société Générale). Capital increases in GSG GROUP without participation of OPG resulted in decrease of interest share below 50% - from 58.5 to 47.9% and accompanied by a change in GSG GROUP Board of Directors led to loss of control over GSG GROUP.

- Partnership with GSG GROUP on Hospitality Invest portfolio: Over the Q2 2014, GSG GROUP, a company affiliated to OPG, acquired a 50% share in Hospitality Invest S.a.r.l. and has joined the partnership agreement with OPG. The Hospitality Invest portfolio represents a unique collection of well-established luxury boutique hotels and all-suite residence hotels known as Mamaison, mostly located in prime central locations of the CEE capitals.

- Suncani Hvar d.d. ("SHH") follow-up: SHH has initiated pre-bankruptcy process as all attempts to negotiate with the Republic of Croatia have failed. SHH Management Board has filed a proposed restructuring plan that will now have to be negotiated between creditors and shareholders in order to be finalized and implemented to avoid the bankruptcy. The outcome of such process is not known yet.

- Hungarian assets in bankruptcy: After the opening of insolvency reorganization proceedings on Hungarian subsidiaries holding Paris department store, Vaci 1 and Szervita assets, the Group entered into negotiations with bank creditors on restructuring program. The chances to reach an agreement seem to be remote now and the assets will most likely be taken over by the financing banks while the Group will have to cover a payment of some EUR 9 Million of corporate guarantees. The potential call of the guarantees has been recognized in the financial position of OPG by accruing a provision while the companies holding the assets pledged in favor of the financing bank have been deconsolidated.

Q1 2014 Financial highlights

All the comments on the Group financial performance in the present report are based on pro forma figures. The pro forma income statement presents consolidated amounts excluding GSG GROUP contribution, both in 2014 and 2013.

- Total revenue went up by EUR 0.9 Million year-on-year to EUR 8.5 Million, triggered by recent deliveries in Prague residential project V Mezihoří generating revenue of EUR 3.1 Million over Q1 2014. The project achieved 90% of sold units at the end of March.
- Operating result has plummeted from EUR -2.9 Million in Q1 2013 to EUR -20.2 Million owing to exceptional expenses charged to the income statement. In connection to the management changes, termination indemnities in the amount of EUR 8.5 million have been recognised in employee benefits. These include both cash and non-cash settlement in the form of transfer of ownership of Hotel Pachtuv Palace in Prague.
- A provision of EUR 9.0 Million has been created for corporate guarantee provided by OPG Group on the bank financing of the Group Hungarian assets which entered bankruptcy proceedings.
- Adjusted EBITDA has slightly improved by EUR 0.1 Million year-on-year however still remains negative in the amount of EUR -2.0 Million for the first three months of 2014.
- Financial result (loss of EUR 30.0 Million) is significantly impacted by the one off loss from deconsolidation of GSG GROUP as a consequence of loss of control. The shares in GSG GROUP still held by OPG are now classified as financial investment and its carrying value was adjusted to market price resulting in a loss of EUR 49.0 Million. In contrary, the deconsolidation of Hungarian entities with negative net asset value gave rise to consolidation gain of EUR 24.4 Million.
- Following the exceptional expenses and consolidation losses, OPG recorded net loss attributable to owners of the Company of EUR 54.4 Million compared to a gain of EUR 3.4 Million in Q1 2013.

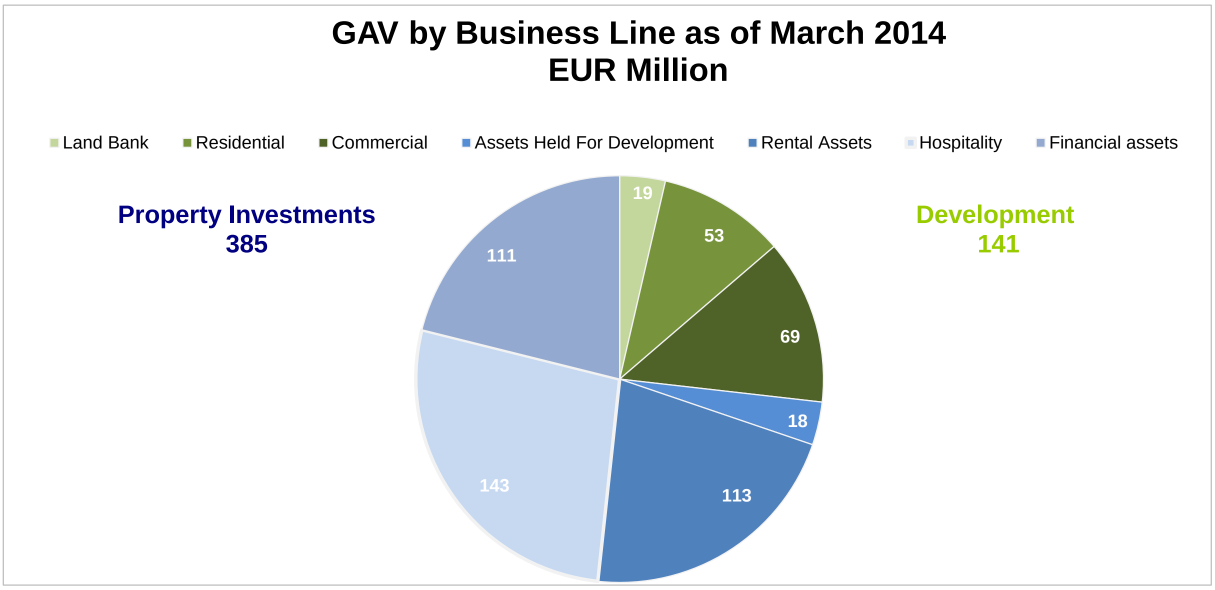
Unaudited summary of consolidated balance sheet

GSG GROUP is deconsolidated as at end of March 2014. As a result the amount of total consolidated assets decreased from EUR 1,171.8 Million to EUR 515.4 Million as at end of March 2014.

€ million	2014.03	2013.12	Variation
Total assets	515.4	1,171.8	(656.4)
Total liabilities	405.0	908.7	(503.8)
Equity	110.5	263.1	(152.6)
- Group	125.7	175.9	*(50.2)*
- NCI	(15.3)	87.2	*(102.5)*

The balance sheet item mostly impacted by the deconsolidation is the Investment property line which went down from EUR 710.6 Million at the end of December 2013 to EUR 124.1 Million as at the end of March 2014. Total financial debts of OPG decreased after the deconsolidation by EUR 353.0 million. These debts were composed of bank loans related to financing of GSG and Hungarian properties.

Gross Asset Value at the end of March 2014 stands at EUR 526 Million (EUR 1,035 Million end of 2013). The decrease of EUR 509 is driven by deconsolidation of all GSG GROUP assets (EUR -561 Million), deconsolidation of Hungarian subsidiaries holding Paris department store, Vaci 1 and Szervita assets (EUR -43 Million) and taking out of Pachtuv Palace (EUR -11 Million) which is part of the termination packages. This decrease is offset by an increase of financial.



Unaudited income statement

	ACTUAL		PRO FORMA	
	3 months 2014	3 months 2013	3 months 2014	3 months 2013
Revenue	**24,537**	**23,099**	**8,488**	**7,563**
Net gain from fair value adjustments on investment property	434	0	434	0
Other operating income	387	535	61	219
Net result on disposal of assets	3	28	3	26
Cost of goods sold	(3,564)	(1,849)	(3,561)	(1,841)
Employee benefits	(17,733)	(4,774)	(11,860)	(3,219)
Amortisation, impairments and provisions	(9,732)	(1,692)	(10,141)	(810)
Operating expenses	(11,164)	(11,941)	(3,650)	(4,827)
Operating result	**(16,832)**	**3,407**	**(20,225)**	**(2,890)**
Interest expenses	(8,470)	(9,669)	(5,566)	(6,800)
Interest income	1,233	1,749	484	1,267
Foreign exchange result	(394)	(4,349)	(394)	(4,349)
Other net financial results	(22,553)	16,372	(24,568)	15,539
Financial result	**(30,184)**	**4,102**	**(30,043)**	**5,657**
Share of profit or loss of entities accounted for using the equity method	**(96)**	**11**	**(96)**	**12**
(Loss) / Profit before income taxes	**(47,112)**	**7,521**	**(50,365)**	**2,780**
Income taxes	(2,014)	(2,252)	(422)	(1,472)
(Loss) / profit from continuing operations	**(49,126)**	**5,269**	**(50,787)**	**1,308**
Loss after tax from discontinued operations	**(229)**	(228)	**(229)**	(228)
Net (loss)/ profit for the period	**(49,356)**	**5,041**	**(51,016)**	**1,080**
Total (loss) / profit attributable to:				
Non controlling interests	4,056	(2,250)	3,375	(2,319)
Owners of the Company	**(53,411)**	**7,291**	**(54,391)**	**3,399**

The pro forma income statement above presents consolidated amounts excluding GSG GROUP contribution, both in 2014 and 2013. All the explanatory comments in this document are based on the pro forma income statement.

1 Revenue by segment

Year on year, the first 3 months revenue increased to EUR 8.5 Million, compared to EUR 7.6 Million in the same period of 2013 mainly driven by revenue generated from successful sales on V Mezihoří project.

	Development	Property Investments	Total
YTD Revenue			
Q1 2014	4,618	3,870	8,488
Q1 2013	2,219	5,344	7,563
Variation	**2,399**	**(1,474)**	**925**
	108.1%	**(27.6)%**	**12.2%**

1.1 Property Investments

The Property Investments' revenue decreased by EUR 1.5 Million year-on-year reaching the total of EUR 3.9 Million for the first quarter of 2014. A decline of EUR 0.9 Million is observable in renting activity mainly as a result of the lack of revenue (EUR 0.5 Million) from Hungarian assets which were deconsolidated at the beginning of this year. Lower level of management fee income from Endurance fund assets, as a consequence of their sales in early 2013, leads to a decrease of revenue from management services. Over Q1 2014, the management fee income amounts to EUR 0.4 million compared to EUR 1.0 Million over Q1 2013.

Over Q1 2014, the occupancy rate of the CE portfolio slightly decreased by 20 bps down to 68.0%. Average rent went down to 6.22 EUR/SQM over Q1 2014. Three Hungarian subsidiaries of the Group have entered bankruptcy proceedings and are not reported on the Like for Like basis in the table below.

Portfolio	GLA (SQM) March 2014	Dec. 2013	Sept. 2013	March 2013	Occupancy (%) March 2014	Dec. 2013	Sept. 2013	March 2013	Average rent EUR / SQM March 2014	Dec. 2013	Sept. 2013	March 2013
Prague, Czech republic	116 080	116 080	128 916	130 049	87,0%	87,5%	86,9%	81,7%	5,39	5,54	5,40	5,46
Budapest, Hungary	15 591	15 591	15 598	16 604	10,8%	10,8%	10,8%	0,0%	4,37	4,14	4,01	0,00
Warsaw, Poland	36 598	36 598	36 598	36 598	32,5%	32,5%	27,7%	81,9%	4,33	4,91	4,37	2,91
Bratislava, Slovakia	8 220	8 220	8 220	8 220	46,8%	44,0%	51,1%	53,4%	4,98	5,24	5,20	5,03
Capellen, Luxembourg	7 695	7 695	7 695	7 695	90,2%	90,2%	90,2%	95,6%	22,60	22,62	22,68	23,57
CE Portfolio	**184 185**	**184 185**	**197 028**	**199 166**	**68,0%**	**68,2%**	**68,5%**	**74,3%**	**6,22**	**6,38**	**6,20**	**5,83**

Like for like basis, therefore disposals and reclasified assets are not included

Reported letable area is based on the current technical conditions and excludes an upside from the possible redevelopment

1.2 Development

Residential projects have doubled revenue from sale of units, best seller being the Prague residential project V Mezihoří with revenue of EUR 3.1 Million. Further EUR 1.4 Million was generated by projects in Central Europe, namely Mostecká in Prague (EUR 0.6 Million), Koliba-Parkville in Bratislava (EUR 0.5 Million) and Klonowa Aleja in Warsaw (EUR 0.3 Million).

In Central Europe, 27 units have been delivered over the first 3 months of 2014 (24 in the Czech Republic, 2 in Slovakia and 1 in Poland). With 22 delivered units V Mezihoří was by far the biggest contributor. At 31 March 2014, 90 % of apartments on V Mezihoří were delivered to the clients. With all but 1 unit pre-sold as of the date of this report, the undelivered 14 units as of March 31, 2014 are expected to be mostly, if not fully, delivered by the end of Q2 2014.

New development project has been launched in Prague. It is the last part of the multi-phase Kosik project, consisting of two sub-phases. The project has been selling extremely well - more than 50% of the first sub-phase with 151 units released for sale in 4Q 2013 has been pre-sold prior to start of construction in May 2014. The second sub-phase with 80 units will conclude the entire Kosik development. Kosik is a joint venture project that is consolidated under the equity method.

2 Operating expenses

Employee benefits reached EUR 11.9 Million in Q1 2014, increasing by EUR 8.6 Million year-on-year. The main driver to this increase are exceptional expenses related to termination agreement settlement with former management of the Group (EUR 8.5 Million). Headcount decreased to 394 employees in 2014, further decrease will be reported in Q2 2014 as a result of abandoned activities and related reduction in the number of headcount in Central Europe.

Operating expenses decreased to EUR 3.6 Million as of March 2014, compared to EUR 4.8 Million in March 2013, positively impacted by deconsolidation of Hungarian assets and savings on operating expenses achieved in renting portfolio.

A provision for corporate guarantee on Hungarian assets in bankruptcy proceedings has been created in Q1 2014 in the amount of EUR 9.0 Million explaining the increase on the line Amortizations, impairments and provisions.

3 Adjusted EBITDA[1]

Operating result in Q1 2014 has been negatively influenced by exceptional items recognised in the income statement - the termination indemnities and provisions for corporate guarantees provided by the Group in respect of the bankrupt Budapest assets which impacted all the business lines across the portfolio due to allocation of head office costs.

	Development	Property Investments	TOTAL
Operating Result - 3m 2014	**(11,232)**	**(8,993)**	**(20,225)**
Net gain or loss from fair value adjustments on investment property	(20)	(414)	(434)
Amortisation, impairments and provisions	5,086	5,054	10,140
Net result on disposal of assets	-	(3)	(3)
Termination expenses	4,634	3,885	8,520
Adjusted EBITDA - 3m 2014	**(1,532)**	**(471)**	**(2,002)**
Adjusted EBITDA - 3m 2013	**(1,257)**	**(849)**	**(2,106)**
Variation YoY	**(275)**	**378**	**104**

The adjusted EBITDA shows slight improvement of EUR 0.1 Million compared to Q1 2013, however continued in negative amounts over the Q1 2014.

In the Development segment, lower unit sales in other projects outweighed the positive contribution of Mezihoří. Sales of commercial properties within the last two years led to decrease of revenue in this segment with an adverse effect on the profitability.

Property Investments segment reduced its negative adjusted EBITDA by EUR 0.4 Million in Q1 2014 thanks to improvements achieved in the renting activity in the Czech Republic. This segment is also impacted by reduction of the management fee income.

[1] 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.

4 Financial Result

4.1 Interests

The interest expenses YoY further decreased by EUR 1.2 Million from EUR 6.8 Million to EUR 5.6 Million. The bank interest for the first 3 months of 2014 amounts to EUR 2.3 Million for the Property investment activity and to EUR 0.8 Million for the Development activity. As of March 2014, Safeguard Bonds and New Notes interests amount to EUR 2.5 Million out of which non-cash interest amounts to EUR 1.9 Million.

4.2 Other net financial results

Other net financial results amounting to EUR -24.6 Million are essentially driven by the one off negative result (EUR -49.0 Million) as a consequence of loss of control over GSG GROUP. On the other hand positive impact (EUR 28.4 Million) of deconsolidation of Hungarian assets as a result of bankruptcy proceedings was recognised.

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