Press Release
Preliminary unaudited half year results 2011

31 August 2011

Orco Property Group - H1 2011

I - Accelerating the implementation of our strategic plan and simplifying our structure

1. Further integration and operational improvements on core activities:

- Germany:
  - ✓ OPG set to raise its stake in Orco Germany to 91.6% through MSREI transaction,
  - ✓ Orco Germany controls assets of 900 000 m2 in Berlin,
  - ✓ Improved performance of Berlin portfolio through more active asset management,
- Prague Bubny Development:
  - ✓ Prague 7 District approved Orco's master plan concept,
  - ✓ Joint venture with Unibail-Rodamco with an acquisition price substantially above book value for the creation of a leading regional shopping centre,
  - ✓ Land plot sale to Skanska completed,
- Other key strategic projects:
  - ✓ Zlota Tower now at 39th floor in the heart of Warsaw,
  - ✓ Vaci 1, Budapest prime shopping centre shell and core completed,
  - ✓ Sale of major development projects achieving significant value creation such as Leipziger Platz,
  - ✓ Sale of mature assets like Sky office building in Dusseldorf, planned over the coming 6 months,
  - ✓ Sale of non-core assets :
    - Russian operations sale contracted for EUR 53 Million,
    - Other asset sales are being contracted in Germany and Central Europe.

2. Strengthening of the shareholder structure and deleveraging:

- Enlargement of the core shareholding group with the entry of MSREI as the largest shareholder of Orco with approximately 19.2% through the issuance of 3 Million ordinary shares,
- Signing of a shareholder agreement to strengthen further the core shareholder base,
- EUR 82.5 Million of bank loan reimbursements leading to a reduced LTV before bonds of 52.7% instead of 53.8%,

3. Major uncertainties

- Refinancing of GSG Berlin assets and of the Orco Germany bonds maturing in spring 2012 might prove challenging given recent worsening of macro-economic environment,

II - Half year financial highlights (year to year):

IFRS condensed interim Financial Statements together with auditors limited review report and management report will be published next week.

1. Unaudited Profit and Loss Statement

In EUR Thousand	June 2011	June 2010	June 2010 (proforma)
Revenue	**73 571**	**163 076**	**153 760**
Net gain /(loss) from fair value adjustments on investment property	-351	26 629	26 629
Other operating income	370	2 333	2 254
Net result on disposal of assets	11 052	-273	-273
Cost of goods sold	-16 899	-87 899	-87 844
Employee benefits	-14 058	-21 055	-15 896
Amortisation, impairments and provisions	-3 585	-8 311	-8 388
Other operating expenses	-31 196	-36 730	-34 897
Operating result	**18 904**	**37 770**	**35 345**
Interest expenses	-41 600	-51 530	-50 582
Interest income	2 419	3 101	1 260
Foreign exchange result	12 664	-6 910	-2 697
Other net financial results	5 572	255 405	264 761
Financial result	**-20 945**	**200 066**	**212 742**
Profit/(loss) before income taxes	**-2 041**	**237 836**	**248 087**
Income taxes	-443	-4 335	-5 600
Impact of assets held for sale	-3 342	-	-8 986
Net profit/(loss) for the year	**-5 826**	**233 501**	**233 501**
Total profit/(loss) attributable to:			
non controlling interests	1 677	-4 232	-4 232
owners of the Company	**-7 503**	**237 733**	**237 733**

‘Proforma’ is the Income Statement for 6 months 2010 with an amended presentation of its contribution of the Russian assets held for sale as reported in 2011 both June 2011 and pro forma 2010 are now presented on only one line “Impact of assets held for sale”.

2. Balance Sheet

Assets	Note	30 June 2011	31 December 2010
NON-CURRENT ASSETS		**1,170,316**	**1,204,255**
Intangible assets		**47,934**	**48,205**
Investment property	4	**891,154**	**888,036**
Property, plant and equipment		**165,326**	**237,851**
Hotels and own-occupied buildings	5	152,298	222,563
Fixtures and fittings		12,481	15,288
Properties under development		547	0
Financial assets at fair value through profit or	14.1	**41,418**	**30,049**
Non current loans and receivables	14.2	**24,191**	**0**
Deferred tax assets		**293**	**114**
CURRENT ASSETS		**639,139**	**698,050**
Inventories	6	406,325	418,957
Trade receivables		38,887	34,349
Other current assets		38,263	59,105
Derivative instruments		16	0
Current financial assets		382	302
Cash and cash equivalents	8	35,200	53,439
Assets held for sale	7	120,066	131,898
TOTAL		**1,809,455**	**1,902,305**

Equity and liabilities	Note	30 June 2011	31 December 2010
EQUITY		**338,194**	**355,969**
Equity attributable to owners of the Company	13	**286,754**	**303,056**
Non controlling interests	9	**51,440**	**52,913**
LIABILITIES		**1,471,260**	**1,546,336**
Non-current liabilities		**463,122**	**903,080**
Bonds	10	145,285	235,667
Financial debts	10	213,513	526,991
Provisions & other long term liabilities		13,980	14,307
Derivative instruments	10	0	19,323
Deferred tax liabilities		90,344	106,792
Current liabilities		**1,008,138**	**643,256**
Current bonds	10	118,166	8,222
Financial debts	10	681,662	389,282
Trade payables		17,441	21,011
Advance payments		33,869	32,714
Derivative instruments	10	43,856	27,469
Other current liabilities		74,096	88,064
Liabilities linked to assets held for sale	7	39,048	76,494
TOTAL		**1,809,454**	**1,902,305**

3. Comments

Revenues of EUR 73.6 Million over the first half of 2011 together with asset sales amounting to EUR 120.3 Million, represent a total volume of EUR 193.9 Million:

- Development revenues of EUR 23.5 Million are made of commercial and residential sales. They decreased by EUR 77.5 Million due mainly to the absence of deliveries in H1 2011 of major commercial projects.
- Property Investment revenues of EUR 50.1 Million are mainly rental incomes. They decreased by EUR 11.9 Million over H1 2011 and by EUR 2.6 Million on a pro forma basis excluding Russia. This variance is mainly due to a EUR 1.7 Million decrease in rental revenue and to EUR 0.9 Million from asset sales.

The lower revenues lead to a EUR 11.9 Million adjusted EBITDA compared to EUR 21.3 Million as of June 2010.

In H1 2011, gross interest expenses recorded in our P&L reached EUR 41.6 Million compared with EUR 50.6 Million over the same period in 2010 on a pro forma basis. Interests on bonds (mainly non cash) amount to EUR 18.0 Million.

Over the first six months of 2011, the Group recorded a net loss amounting to EUR 5.4 Million compared to a net profit of EUR 233.5 Million over the same period in 2010. The net result is positively influenced by the EUR 11.5 Million capital gain recognized on the sale of Leipziger Platz and negatively influenced by the net contribution of EUR 3.3 Million from the Russian assets held for sale.

The GAV decreased from EUR 1,744 Million as of December 2010 to EUR 1,659 Million in June 2011 due to asset sales although partially compensated by investments on assets under construction. The GAV breaks down to 65% in Properties Investment and 35% in Development. No external valuation was conducted for H1 2011 as it has been fully internalised; a full external valuation process will take place at year end.

The EPRA (European Public Real Estate Associations) Net Asset Value (NAV) per share as of June 2011 amounts to EUR 27.4 compared to EUR 28.6 as at December 2010.

4. Semester key events

- On 31 August 2011, Orco Property Group entered into an agreement to sell its stake in its Russian operations to a local investor. This EUR 53 Million sale includes the logistics business, the residential projects, the offices and land plots that are collectively valued at an NAV before sale of EUR 57 Million. The agreement contains a further earn out provision entitling Orco to a percentage of future sales which could result in Orco reaching or exceeding the NAV before sale.

- On 18 August 2011, the Group and MSREI agreed that OPG will issue 3 Million ordinary shares in a private placement. The subscriptions of these shares will be paid by MSREI through contributions of its stakes in Orco Germany and Endurance Real Estate Fund. 2 Million OPG shares will be issued at EUR 9 per share against 14.1 Million Orco Germany shares at EUR 1.28 (vs NAV at June end of EUR 2.16) and 1 Million OPG shares will be issued at EUR 9 for Endurance Real Estate Fund units with a 26% discount on the net asset value of EUR 12.2 Million. Following the completion of the transaction, MSREI will become the largest shareholder of Orco with approximately 19.2% of issued shares. Orco will increase its stake in Orco Germany to approximately 91.6% (after eliminating OG treasury shares) and in the two Sub-funds of Endurance Real Estate Fund as follows, 14.8% in the Residential Sub-fund and 27% in the Office I Sub-fund.

- On 29 July 2011, the Group signed an agreement for the sale of a plot of 3.7 ha in our Prague Bubny development to a joint venture between the Group and Unibail-Rodamco. This new entity will bring together the expertise and strength of OPG and Unibail-Rodamco for the realization of an anchor 100,000 sqm state of the art shopping mall that will be a strong driver for the other developments to be done on Bubny.

- On 15 March 2011 an announcement was made that the major shareholders of Sunčani Hvar, ORCO Property Group at 55.6% and Croatian Privatization Fund at 32%, reached an agreement on resolving outstanding disputes and agreed on future cooperation guaranteeing long term financing of activities. At the same time, the CPF has committed to tackle all unresolved ownership disputes within the next 12 months.

Message from Jean-François OTT, President & CEO:

“The financial environment remains challenging and may have an adverse impact on our financing and refinancing alternatives. However, the macro-markets in which we operate in Germany and Central Europe are faring well. Moreover, within these markets, we operate in outperforming cities, such as Berlin.

To conclude, we are committed to execute our strategy of focusing on our core business activities including a mix of selective flagship developments with significant potential upside and stable rental properties in Prague, Warsaw, Budapest and Berlin, while simplifying our corporate and shareholding structure.”

Jean-François OTT
President and CEO

About ORCO Property Group.

ORCO Property Group is one of the leading Central European property companies. The company established in 1991 is based in Luxembourg and has listings on NYSE Euronext Paris, Prague, Budapest and Warsaw stock exchanges.

For more information, visit our shareholder corner on www.orcogroup.com, or contact:
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