28 May 2013 Press Release

Orco Property Group

Q1 2013 financial information

First 3 months financial highlights

- Revenue is decreasing by EUR 6.3 Million to EUR 23.0 Million YoY mainly as a result of reduced Development activities;
- Adjusted EBITDA is decreasing in a lower proportion than revenue from EUR 5.6 Million in march 2012 to EUR 5.1 Million;
- Positive net Financial result of EUR 4.1 Million (EUR -6.4 Million in Q1 2012) is strongly impacted by the decrease in interest expenses, the negative foreign differences and the one off gain on debt buy back.
- Net profit of EUR 7.3 Million compared to EUR 1.1 Million in Q1 2012.

Key recent achievements

- Buy back of Hungarian liabilities for EUR 1 Million, generating a EUR 15.3 Million financial income;
- On 30 April 2013, Orco has sold for EUR 20 Million a plot of 3.6 hectares to the joint-venture it has constituted with Unibail Rodamco in which the Group keeps a 20% share. The net cash-in after the loan repayment and the investment in the Joint-Venture amounts to EUR 1.8 Million. The venture aims at developing a prime shopping center in the Bubny area, downtown Prague;
- All units in Office and Office II Sub-funds of the Endurance Real Estate Fund have been sold for a total price of EUR 10 Million;
- As of 22 May 2013, the Group completed the disposal of the land plot U-Hranic after finalization of the permitting process to Skanska for a sale price of EUR 4.5 Million;

Unaudited Profit and Loss Statement

	3 months 2013	3 months 2012 Pro Forma (*)	3 months 2012
Revenue	**23,099**	**29,423**	**32,626**
Sale of goods	*2,100*	*5,132*	*5,710*
Rent	*15,646*	*17,570*	*17,684*
Hotels, Extended Stay & Restaurants	*417*	*622*	*3,088*
Services	*4,936*	*6,099*	*6,145*
Net gain or loss from fair value adjustments on Investment Property	0	(412)	(412)
Other operating income	535	1,314	1,314
Net result on disposal of assets	28	2,207	2,208
Cost of goods sold	(1,849)	(4,957)	(5,368)
Employee benefits	(4,774)	(5,424)	(6,372)
Amortisation, impairments and provisions	(1,692)	(548)	(697)
Other operating expenses	(11,941)	(14,766)	(16,027)
Operating result	**3,407**	**6,836**	**7,271**
Interest expenses	(9,669)	(19,675)	(20,331)
Interest income	1,749	918	809
Foreign exchange result	(4,349)	9,677	12,055
Other net financial results	16,372	2,682	2,658
Financial result	**4,102**	**(6,397)**	**(4,809)**
Share profit or loss from equity associates	**11**	**(134)**	**-**
Profit or loss before income taxes	**7,521**	**305**	**2,462**
Income taxes	(2,252)	(571)	(774)
Profit from continuing operations	**5,269**	**(265)**	**1,688**
Profit or loss after tax from discountinued operations	(228)	-	-
Net profit or loss for the period	**5,041**	**(265)**	**1,688**
Total profit or loss attributable to:			
Non controlling interests	(2,250)	(1,349)	(1,146)
Owners of the Company	**7,291**	**1,084**	**2,833**

(*) "Pro forma" is the 3 months 2012 income Statement with an amended presentation of the Joint Ventures contributions, in line with the IFRS 11 transition measures and as detailed in Note 6, and Office Sub-fund, as detailed in the 2012 Financial Statements (Note 2.1.3.4).

All the comparatives figures presented in this document are "Pro forma", except if indicated otherwise.

Year on year, the first 3 months of Revenue decreased to EUR 23.1 Million, compared to EUR 29.4 Million as of March 2012, mainly driven by the absence of rental revenue on Sky Office and Radio Free Europe and the decrease of the Residential sales only partially compensated by the performance of the Property Investments in Berlin.

The strict control of the operational expenses reduced by EUR 3.5 Million, compared to March 2012, allows to limit the decrease of the Operating Result to EUR 3.4 Million.

The financial result as of March 2013 reflects mainly the 2012 debt restructuring with the decrease of bonds and loans interest expenses for respectively EUR 8.3 Million and EUR 1.6 Million, the gains of EUR 15 Million on bank loans buy-backs in Hungary, partially compensated by the high level of foreign exchange losses for EUR 4.3 Million.

1 Revenue by segment

	Development	Property Investments	Total
YTD Revenue			
As at March 2013	2,256	20,843	23,099
As at March 2012 - Pro Forma	7,008	22,415	29,423
Variation	**(4,752)**	**(1,572)**	**(6,324)**

1.1 Property Investments

The Property Investments' revenue decreased by EUR 1.6 Million, year-on-year, reaching EUR 20.8 Million as a result of lower Management services revenue from Endurance Fund (-EUR 0.7 Million) and the absence of Radio Free Europe rental revenue for EUR 1.4 Million, partially compensated by the improved performances of the German rental portfolio.

- Rental portfolio

Rental revenue decreased year-on-year by EUR 0.8 Million to EUR 19.3 Million. The positive impacts of the increased occupancy in GSG commercial spaces (EUR 0.9 Million, despite assets sales) do not compensate the lack of the Radio Free Europe contribution (EUR -1.4 Million) sold in Q2 2012.

Year on year, excluding the disposal of Radio Free Europe in Q2 2012, the occupancy rate of the total portfolio increased by 180 bps up to 78.8% or a net take up of 19,113 SQM. Average rent went up to 5.23 EUR/SQM (+4% YoY). The main driver of this improvement is the strong performance of the Berlin portfolio delivering the results of the strategic focus of the Group on this key location. Average rent on the Berlin portfolio increases by 15 cents YoY up to 4.96 EUR/SQM and occupancy rate improved by 270 bps(net take up of 22,351 SQM).

Over the first quarter, the occupancy rate of the Berlin portfolio increased by 80 bps. Main contributors for the improvement were mainly located in the western parts of Berlin including two signed contracts for Geneststrasse 5 in Berlin-Tempelhof comprising circa 2,335 SQM. The existing tenant Fraunhofer Institute for Reliability and Microintegration IZM expanded its space in Gustav-Meyer-Allee 25 in Berlin-Mitte by 2,820 SQM. The occupancy of the eastern asset Dobelner Strasse 5-7-8 in Berlin-Hellersdorf has also been increased with two contracts of 660 SQM each.

Over Q1 2013, the Group created a new label in Berlin, "Econoparks", gathering the five eastern modern assets Wolfener Strasse, Plauener Strasse, Pankstrasse, Dobelner Strasse and Wilhelm-von-Siemens-Strasse. The purpose is to highlight the advantages of flexible space and use combined with on-site value added services. Accordingly new marketing materials have been produced such as dedicated website (www.econoparks.de) or information booklets.

	GLA (SQM)				Occupancy (%)				Average Rent EUR/SQM			
Portfolio per Country	March 2013*	Dec. 2012*	Sept. 2012*	March 2012*	March 2013*	Dec. 2012*	Sept. 2012*	March 2012*	March 2013*	Dec. 2012*	Sept 2012*	March 2012*
Prague, Czech Republic*	130,049	130,049	130,049	130,049	81.7%	81.7%	78.5%	80.4%	5.46	5.46	5.52	5.17
Budapest, Hungary	40,132	40,143	40,132	40,257	11.6%	11.4%	11.2%	15.6%	26.92	24.12	20.54	16.16
Warsaw, Poland	36,598	36,598	36,598	36,598	81.9%	81.9%	81.9%	94.9%	2.91	3.02	3.32	3.02
Bratislava, Slovakia	8,220	8,220	8,220	8,220	53.4%	52.9%	53.2%	44.3%	5.03	5.98	5.60	6.74
Capellen, Luxembourg	7,695	7,695	7,695	7,744	95.6%	86.3%	86.3%	85.9%	23.57	23.34	21.98	22.34
CE portfolio	222,694	222,705	222,694	222,868	68.6%	68.1%	66.3%	70.0%	6.47	6.34	6.28	5.90
Berlin, Germany**	839,351	839,847	839,018	839,244	81.5%	80.7%	80.0%	78.8%	4.96	4.88	4.83	4.81
Portfolio Data	**1,062,046**	**1,062,553**	**1,061,713**	**1,062,112**	**78.8%**	**78.1%**	**77.1%**	**77.0%**	**5.23**	**5.15**	**5.09**	**5.02**

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

*: The leasable area of Bubenska is 17,575 sqm meanwhile potential GLA of the asset is increased to 30,549 sqm.

Year on Year, in Central Europe, the average rent increased significantly from 5.90 EUR/SQM as of Q1 2012 up to 6.47 EUR/SQM as of Q1 2013 mainly driven by the Prague Portfolio led by the key asset Na Porici. In the meantime the occupancy rate of the Central Europe portfolio decreased by 140 bps as a consequence a significant lease termination on the logistic platform of Marki in Poland (net take up of Warsaw portfolio -4,765 SQM YoY).

In Budapest, the opening of first stores in Vaci I and their performance allowed an increase of the average rent on the portfolio generated up to 26.92 EUR/SQM. Occupancy rate of the portfolio remains below 12% as half of the portfolio is made of Assets Held for Development, namely Vaci 188, Vaci 190 and Szervita that are currently empty.

In Luxembourg, the asset Cap 2 is now close to full occupancy with a level of 95.6% while its average rent increased further up to 23.57 EUR/SQM.

- Hospitality portfolio

Year on year, the fully consolidated Hospitality portfolio revenue remains stable to EUR 0.5 Million, against EUR 0.6 Million as of March 2012. As a result of the change in method detailed in Note 6, the Hospitality revenue now only encompasses the revenue of the Pachtuv Hotel in Prague owned at 100% by OPG and the Suncani Hvar portfolio which is in tourism off-season.

1.2 Development

- Commercial

The commercial revenue recorded over Q1 2013 amounts to EUR 0.1 Million and includes only the rents generated by the Bubny land plot. As of Q1 2012, commercial rent amounted to EUR 1.8[1] Million with EUR 1.7 Million of rent generated by the Sky office building sold in December 2012.

- Residential

Residential development sales have decreased from EUR 5.2 Million over Q1 2012 to EUR 2.1 Million at end of Q1 2013.

In line with the Group's strategy to strategic move from mass development to specific opportunistic developments, the Group launched over the past years a dramatically reduced number of projects and inventories completed between the years 2010 and 2012 are the main source of the revenue recognized in Q1 2013.

The main drivers of the current revenue are Mostecka in Prague (EUR 0.8 Million), Klonowa Aleja in Warsaw (EUR 0.6 Million) and Koliba – Parkville in Bratislava (EUR 0.5 Million). In Germany, no revenue were generated (versus EUR 0.2 Million in Q1 2012) as the commercialization of the plots of Hochwald is now close to completion.

In Central Europe and Germany, 20 units have been delivered (10 in the Czech Republic, 2 in Slovakia and 8 in Poland) over the first 3 months of 2013 or close to 21% of the opening inventory of completed units. As to completed projects, the total backlog is made of 66 completed residential units excluding the joint venture of Kosic[2], for total expected sales of EUR 12.7 Million. 9 out of the remaining completed units are covered by a future purchase or a reservation contract.

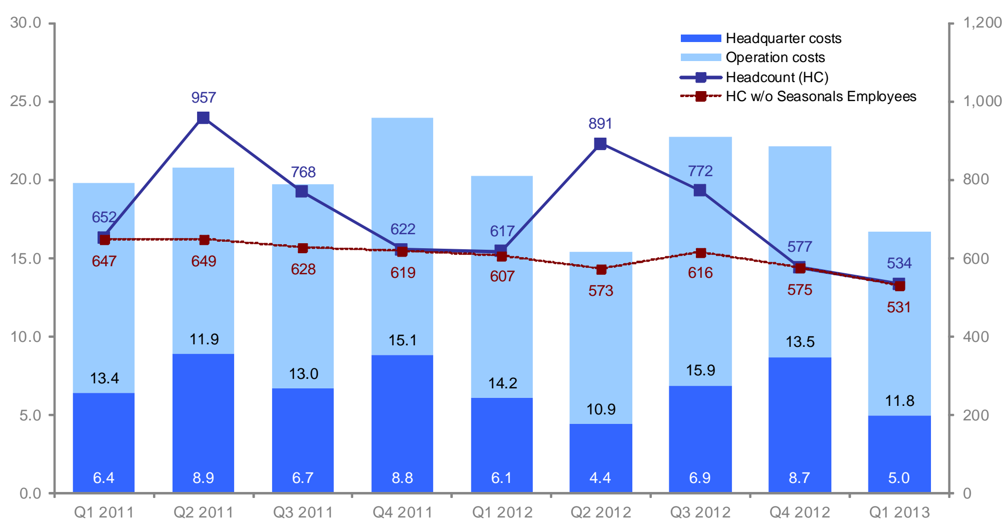
For projects under construction, namely Benice, Mezihori and Zlota 44 in Central Europe and Naunynstrasse 68, total backlog amounts to 457 units of which 146 are covered by a future purchase or a reservation contract. This includes 266 units in Poland (63 contracted) and 171 in the Czech Republic (83 units contracted) and 20 units in Berlin.

As of the date of this report V Mezihori's pre sales reached 62%, and completion of the construction is planned for August 2013 with first deliveries to client occurring end of 2013. Regarding the construction of Zlota 44 in Warsaw, the façade is now complete. The restart of the Zlota 44's sales is planned for Q3 2013. In Germany, the Group pursues the planned conversion of the asset of Naunynstrasse 68 in the Kreutzberg area of Berlin with first revenue expected end of 2013.

2 Operating expenses

Operating expenses including employee benefits amount to EUR 16.7 Million as of March 2013, decreasing by EUR 3.5 Million (or 17%) year-on-year. The main drivers to this improvement are the reduction of Administration costs by EUR 1.9 Million, the Building maintenance and Leases by EUR 1.0 Million and the Employee benefits by EUR 0.7 Million.

Employee benefits represent 29% of the total operating expenses after a decrease by 12 % compared to the same period of 2012 due to the significant decrease of headcount (534 employees in 2013 versus 617 employees in 2012).



[1] The land plot Hochwald has been transferred to residential project portfolio in 2012. In Q1 2012, it was contributing to revenue up to EUR 0.2 Million

[2] Residential inventories do not include the units of the Kosic's joint venture which revenue is now presented under the equity method.

3 Adjusted EBITDA[3]

The adjusted EBITDA amounts to EUR 5.1 Million for the 1st quarter of 2013 compared to EUR 5.6 million over 2012 over the same period.

In the Property Investments business line, the decrease of the Rental activity EBITDA is mainly driven by the sale of Radio Free Europe that was contributing for EUR 0.9 Million, while over the same period Berlin is improving its Rental EBITDA by EUR 0.3 Million. The Management Services activity is decreasing by EUR 1.0 Million.

In the Development business line, the decrease of the revenue, as a result of a lower number of residential units available for sale and the loss of the Sky Office building in the Commercial revenue, is more than compensated by the decrease of the operating expenses generating a positive evolution of the EBITDA by EUR 1.0 Million.

	Development	Property Investments	TOTAL
Operating Result - 3m 2013	(1,244)	4,652	3,408
Amortisation, impairments and provisions	63	1,628	1,691
Net result on disposal of assets	(2)	(26)	(28)
Adjusted EBITDA - 3m 2013	(1,183)	6,254	5,071
Adjusted EBITDA - 3m 2012 Pro Forma	(2,170)	7,761	5,591
Variation YoY	**987**	**(1,507)**	**(520)**

4 Net gain or loss on the sale of assets

Over the first three months of 2013, the sale of a land plot in Berlin generated a net cash inflow of EUR 0.6 Million with no accounting gain or loss.

5 Financial Result

5.1 Interests

The interest expenses are the driver of the strong improvement of the financial result, decreasing by EUR 10.0 Million. The Bonds interest expenses reached EUR 2.2 Million compared to EUR 10.5 Million over Q1 2012 and the Bank loan interest expenses decreased by EUR 1.6 Million to EUR 7.5 Million compared to EUR 9.1 Million over the same period in 2012. Excluding the penalty interests of the period in Croatia and Hungary, the bank interest expenses would have decreased by EUR 3.7 Million. As of March 2013, Bonds and New Notes non-cash interests amount to EUR 0.3 Million.

The net bank and bonds interest and adjusted EBITDA for the first 3 months of 2013 are:

- Rental properties: EUR 5.7 Million compared to an adjusted EBITDA contribution of EUR 6.9 Million;
- Hospitality properties: EUR 1.5 Million compared to an adjusted EBITDA contribution of EUR -1.1 Million;
- Development projects: EUR 0.1 Million compared to an adjusted EBITDA contribution of EUR -1.2 Million;
- Interest income: EUR 1.7 Million.

5.2 Foreign exchange differences

Over 2013, most Central European currencies weakened against the Euro resulting in a EUR 4.3 Million loss compared to a gain of EUR 9.7 Million over the same period in 2012. The main contributors are the liabilities on the Hungarian assets with a net loss of EUR 3.5 Million, related to the Vaci I for EUR 2.1 Million, Paris Department Store for EUR 0.8 Million and Szervita for EUR 0.4 Million.

5.3 Other net financial results

Other net financial results amounting to EUR 16.4 Million are essentially related to the gains on bank loans buy-backs in Hungary for EUR 15.3 Million.

6 Significant changes in accounting policies

(a) Change in consolidation method

The Group has early adopted IFRS 11 and changed the criteria for election between Proportionate and Equity Method for consolidation of investments in joint venture (JV). The Group now has to recognize its JVs under the equity method and has consequently restated the opening balance. The opening balance of the investments has been measured at the aggregate of the carrying amounts of the assets and liabilities of the entities previously proportionately consolidated which is considered as the deemed cost of the investment at initial recognition.

As of December 2012, the aggregated assets and liabilities of the investment in the Hospitality JV results in a negative asset of EUR 40.9 Million. As the Group does not have any legal obligation in relation to the negative asset, the Group adjusted the retained earnings and consequently recognized its

[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.

investment in the Hospitality JV for a nil value. As a counterpart, the PPL will not be paid in full upon sale of hotels and it is a result impaired to the level of expected cash flow.

As a result of this change in consolidation method:

- The Net Result of the Group, as of December 2012, decreased by EUR 1.7 Million due to the impact of the loss of the Net Result of the Hospitality JV (EUR 0.8 Million) and the revaluation of the PPL (EUR -2.5 Million),
- The Equity of the Group, as of December 2012, increased by EUR 10.9 Million due to the change in Net Result, the gain resulting from the revaluation of the Hospitality JV Equity (EUR + 40.9 Million) and the PPL historical revaluation in Equity (EUR -27.1 Million),
- The value of the JVs under Equity method as of December 2012 is EUR 0.2 Million.

(b) Change in accounting classification (see Notes 2.1.3.4 of the December 2012 Financial Statements)

For more information,
visit our Shareholders corner
on www.orcogroup.com, or contact:
Yves Désiront +352 26 47 67 49
or at investors@orcogroup.com