31 March 2015 Press release

ORCO PROPERTY GROUP

2014 Financial Results

The Board of Directors approved the publication of ORCO PROPERTY GROUP ("the Group") financial information under the going concern assumption, particularly in light of the corrective measures, restructuring of the financing sources and as a result of the outcome on the sale of Zlota 44 project.

Corporate and commercial highlights

The Group managed to solve a difficult situation with the Zlota 44 project in Warsaw. In April 2014, the Group reached an agreement with the financing bank to acquire the accelerated Zlota 44 loan and all related securities for EUR 55 million. That acquisition was executed to release the Group from corporate guarantees of EUR 48.2 million related to Zlota 44 and to allow the Group to organize an ordered sale process of Zlota 44. The Zlota 44 disposal was successfully carried out in August 2014 and finalized in January 2015. The initial gross transaction purchase price of EUR 63.0 million has been decreased by EUR 13.0 million used for the settlement of disputes with the Zlota 44 general contractor INSO. The final purchase price therefore amounted to EUR 50 million. The Group used part of the Zlota 44 proceeds for a total value of EUR 31 million to re-acquire some of the CPI PROPERTY GROUP (former GSG Group) shares that were previously disposed of by the Group to mobilize the required liquidity in order to face Zlota 44 bank loan acceleration and potential calls on the corporate guarantees.

In H1 2014, Suncani Hvar ("SHH") initiated a pre-bankruptcy procedure to allow the restructuring of its operations. Consequently, the Group disposed of SHH shares representing 24.94% of the SHH shareholding as well as receivables owed to SHH. The Group continues to hold 31.61% of the SHH shareholding. As a result of long-term negotiations among SHH's biggest creditors and shareholders, the restructuring plan was approved at the creditors meeting in December 2014 as well as at the shareholders meeting in January 2015, which provides a solid basis for the approval of the plan by the Split Commercial Court which is expected to take place in H1 2015. As an integral part of the negotiations between the Group and the representatives of the Republic of Croatia, the parties mutually agreed to terminate the International Chamber of Commerce arbitration procedure related to SHH and a consent award terminating the arbitration has been issued in this respect.

In 2014, the Group focused on the restructuring of its debt situation. In 1H 2014 the Group completed a portfolio debt restructuring with Crédit Agricole CIB ("CA") relating to three assets pledged as security for loans provided by CA: Bubenska commercial building in Prague, Hlubocky production plant near Olomouc and the Dunaj department store in Bratislava. As a result of the restructuring, the Group transferred the ownership of Hlubocky and Dunaj, together with related debt, to CA and retained the ownership of Bubenská 1 with a decreased leverage and extended debt maturity over the next 3 years. The Group also completed a long term refinancing of the Capellen office building in Luxembourg with BGL BNP Paribas. The Group managed to obtain a stable and amortized financing of 16.8 million, maturing in 2027. New refinancing terms include a lowered interest rate allowing the Group to hold and manage this income generating asset in the long term.

The Group also managed to renegotiate and amend the terms and conditions of the "New Notes" issued under ISIN Code: XS0820547742 as part of its safeguard bond debt restructuring. The amendment mainly includes, the decrease of the interest rate applicable to the New Notes to 7% per annum, the extension of maturity to five years with a one-off bullet payment at maturity, the implementation of a guarantee by CPI PROPERTY GROUP for 3% p.a. fee and the change of the law governing the New Notes from Luxembourg law to English law.

In H2 2013, the Group initiated a pre-bankruptcy procedure of its three Hungarian subsidiaries that hold assets known as the Paris Department Store, Vaci 1 (former stock exchange building) and Szervita to allow the restructuring of its operations. As a result of long-term negotiations among the biggest creditors and shareholders throughout 2014, the restructuring plans were approved at the creditors meetings in December 2014 and by the time of the publication of this report, the Budapest Commercial

Court has already approved the restructuring of Vaci 1 Kft. holding Vaci 1 asset and Ariah, Kft. holding Szervita. The remaining approval of the restructuring plan for Orco Budapest, Zrt. holding the Paris Department Store is expected to take place in H1 2015.

In connection with these improvements the Group was able to attract new investors and to raise EUR 59.2 million of fresh equity improving its balance sheet. This was a turning point for the Group cash flow position as well as its long term strategy. 100 million of the new shares were subscribed for a total subscription price of EUR 29.6 million by ASPLEY VENTURES LIMITED, an entity closely associated with Mr. Pavel Spanko, and 100 million of the new shares were subscribed for a total subscription price of EUR 29.6 million by FETUMAR DEVELOPMENT LIMITED, an entity closely associated with Mr. Jan Gerner. As a result, the corporate share capital of the Group has been increased from EUR 11,450,762.90 represented by 114,507,629 shares to EUR 31,450,762.90 represented by 314,507,629 shares within a framework of the authorized share capital pursuant to the authorization granted to the board of directors of the Company (the “Board of Directors”) by the shareholders during the extraordinary general meeting of 28 May 2014.

Further to the amendment of the Group’s New Notes and the new capital increase, the Board of Directors also resolved to redefine its strategy, whereby the main focus will be on real estate development projects. The Group has an excellent track record in development properties throughout the CEE and possess a land bank with significant development potential. The Group’s objective was to invest the proceeds from the capital increase for the acquisition of further development projects that would drive the long awaited sustainable growth of the Group. As part of the new strategy, the Group disposed of its stake in Mamaison hospitality portfolio for EUR 13.3 million (NAV) in December 2014, thereby exiting its final investment in Russia. The recent crisis in the Ukraine and the Russian Ruble depreciation has proven that this was a good decision.

In line with the new strategy, the Group acquired in November 2014 four development projects with an aggregate of 186 thousand square meters of developable land, primarily in Prague, Czech Republic. These future projects, developable in the coming years, will be a mix of residential, office, hospitality and retail premises. The transaction value was EUR 44 million. Furthermore, in December 2014, the Group acquired a brownfield area in Brno, Czech Republic, with an area of approximately 22.5 hectares. The transaction value was EUR 13.95 million and the intention is to build a mixed used project with a similar size to the Group’s project Bubny in Prague. Moreover, the Group also contracted a development project located in Prague which comprises of approximately 33 thousand square meters of developable land. The Group already owns 31 thousand square meters of directly adjacent land and following this acquisition, the Group will have an excellent developable land plot of approximately 64 thousand square meters. This acquisition was completed in 2015 and the transaction value was EUR 5.7 million.

Financial highlights

Over the year 2014, significant group of activities (both investment properties and hotels) were excluded from the scope of consolidation. These activities contributed to the Group results until the date of loss of control and are presented as discontinued operations. As requested by IFRS and to provide more reliable view on the development of the Group activities, the consolidated income statement (for both periods 2014 and 2013) is presented excluding discontinued operations of which net impact is disclosed on a separate line.

The 2014 Group results are impacted by extraordinary events which occurred over the first half of the year and one-off losses stemming from restructuring measures.

The loss of control over ORCO Germany (now CPI PG) and consequent deconsolidation lead to significant losses recognized in the consolidated income statement. In contrary, derecognition of projects with negative net asset value partially offset these losses.

Main contributor both to revenues and operating profit in 2014 is the Zlota 44 project which was sold in August. Although the preliminary agreed sales price was reduced by EUR 13.0 million due to settlement of payments towards project’s general contractor, the contribution of EUR 50.0 million to revenue considerably exceeds revenues generated by other projects. The cost of goods sold related to disposal of the project equals the same amount. The project has also had a positive impact on the operating result (EUR 47.5 million) resulting from EUR 34.3 million reversal of impairment losses recognized in the previous year (EUR 120.8 million). Furthermore, the provisions accrued in respect of the potential indemnities payable to the general contractor in the amount of EUR 13.2 million were released.

- Net loss attributable to the owners of the Company amounts to EUR 23.6 million in 2014 compared to a loss of EUR 227.0 million in 2013.

- The Group has improved its operational performance - operating result went up from an operating loss of EUR 194.0 million in 2013 to a profit of EUR 26.0 million in 2014. This achievement is attributable to disposal of non-core assets with negative contribution and increased efficiency in operations and administration.

- Revenue increased from EUR 66.9 million in 2013 to EUR 75.2 million in 2014 (+12.4% y-o-y). This growth is primarily driven by development business line with revenue from disposal of Zlota project in the amount of EUR 50.0 million and supported by revenue from sales on residential projects in the Czech Republic (EUR 9.0 million), Poland (EUR 0.8 million) and Slovakia (EUR 0.8 million). On the other hand, revenue from commercial development decreased by EUR 20.0 million over the year 2014 compared to 2013, when the Group closed the sale of part of Bubny land plot for that amount.

  Property investment revenue decreased by 32.9% compared to 2013, reaching EUR 13.9 million as of December 2014 (EUR 20.7 million in 2013). Decline of EUR 5.3 million on rental activity is impacted mainly by deconsolidation of Hungarian assets (EUR 1.4 million) and sold assets Hlubočky and Dunaj (EUR 1.2 million). Revenue from asset management services decreased as a result of the sale of Endurance fund assets.

- The operating result remains impacted by indemnity payments for termination agreements concluded in the first half of 2014 in aggregate and finally settled amount of EUR 12.3 million (of which EUR 11.0 million is the impact to 2014 income statement and EUR 1.3 million was released from accruals for employee benefits created in the previous year).

- Unlike the operating result, the adjusted EBITDA decreased by EUR 5.5 million and amounts to EUR -3.4 million in 2014. The sale of Zlota 44 project itself does not contribute to EBITDA as both revenue and cost of goods sold amount to EUR 50.0 million. As the EBITDA is adjusted for non-cash items, the reversal of impairment for Zlota 44 does not influence this measure. The other projects are not in the position to generate sufficient revenue to cover all the operating expenses, including administration costs and consultancy fees. The positive impact of head office restructuring carried out in 2014 is expected to become evident in the following year.

- The financial result (loss of EUR 48.2 million in 2014 compared to a loss of EUR 57.3 million in 2013) arises mainly from net interest expense of EUR 18.9 million and accounting losses recognized upon deconsolidation and disposal of subsidiaries in total amount of EUR 17.7 million. In addition, the Profit Participation Loan provided to the Hospitality JV was revalued prior to its disposal giving rise to negative revaluation of EUR 9.7 million.

- Loan to Value (LTV) decreased from 58.7% as of December 2013 to 38.1% as of December 2014 as a result of deconsolidation of leveraged assets over the first half of the year 2014. Both current and non-current debt went down following derecognition of bank loans mainly related to financing of investment properties in Germany and Hungary and the debt restructuring of Dunaj and Hlubočky.

- The EPRA Net Asset Value (EPRA NAV) per share decreased from EUR 1.92 as of December 2013 down to EUR 0.67 as of December 2014. Thanks to the subscription of new shares in November 2014 the Group strengthened its capital position by raising EUR 59.2 million. On the other hand, the consolidated equity decreased due to the loss of the period amounting to EUR 23.6 million.

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Audited documents will be available tonight on:

http://www.orcogroup.com/investors/financial-documentation/full-year-documents:

- Full Year 2014 audited financial report
- Full Year 2014 audited management report

For more information,
visit www.orcogroup.com, or contact us
at investors@orcogroup.com