

ORCO Property Group (OPG)

Half Year 2013 Financial Information

Half year 2013 and post-closing key events

- On 9 July 2013, representatives of the State of Croatia and the Company agreed on a roadmap for the financial and operational recovery of Sunčani Hvar d.d. Pursuant to the agreed roadmap, the parties will suspend arbitration proceedings.
- The occupancy permit on Mezihori has been obtained in August. We will start to deliver the first units over the coming months of the now 72% pre-sold residential development in Prague. Total expected revenues amount to EUR 18 Million. Margin is expected at EUR 4.4 Million. Next Prague project planned is Kosik, for which a LOI has been signed with GE to acquire their 50% stake of the plot.
- The residential conversion of the GSG rental asset of the Kreuzberg area, Naunynstrasse 68, started with the launch of the commercialization in March 2013. As at date of this communication, 36% of the project is contracted. Margin is expected at EUR 2.5 Million. Value is up 51 % since decision to convert. The Group is preparing the residential conversion of a second asset and also actively planning several commercial or mixed developments, starting with a mixed project on its Gebauer Höfe land.
- Buy back of the Vaci 188 and Vaci 190 bank loan at a fraction of its nominal value, generating a financial gain of EUR 15 Million.
- Joint-venture with Unibail Rodamco sealed as of 30 April 2013. As a consequence, the Group sold 3.6 hectares out of the Bubny plot to the created structure aiming at the development of a prime shopping center downtown Prague with a targeted start of construction in 2016.
- All units in Office and Office II Sub-funds of the Endurance Fund held by the Group have been sold for a total price of EUR 10 Million.
- Disposal of 20 Million ORCO Germany S.A. (OG) shares for a total amount of EUR 8 Million. This sale was partially compensated by the finalization of the bonds restructuring resulting in the conversion into OG newly issued 28,028,982 shares against 22,885 of OG bonds held by the Company. The Group direct and indirect holding in OG decreased from 98% to 90%.
- On 27 June 2013 the EGM of shareholders approved an increase of authorized share capital by up to EUR 63 Million. Pursuant to this decision, the Board of Directors approved a reserved capital increase by 6,666,667 of new OPG shares at a price of EUR 2.25 per share, raising a total of EUR 15 Million for the Group, subscribed by the Company's four largest shareholders, namely Gamala Limited, Kingstown Capital Management L.P., Alchemy Special Opportunities Fund II L.P. and Stationway Properties Limited.

Half year financial highlights

- Revenue increased year on year to EUR 71 Million from EUR 62 Million over the same period in 2012 (+15 %) with EUR 20 Million generated by the Bubny retail plot sale. Property Investments revenues remained firm over the first half of 2013. The disposal of Radio Free Europe building is compensated by the increase in revenue from the Berlin commercial portfolio (EUR 2 Million). Occupancy of the Berlin portfolio now reaches 82% compared to 79% as at June 2012, the average commercial net rent increased from EUR 5.18 per sqm to EUR 5.29 per sqm.
- The operating result as of June 2013 is a profit of EUR 11 Million compared to a loss of EUR 9 Million in 2012 over the same period thanks to improved rental assets performance, and valuation gains on the Berlin portfolio which are more than compensating the losses on the Central European portfolio. Also, impairment losses in 2013 are significantly lower than in 2012 when an impairment of EUR 14 Million was recognized on the now sold project Sky Office.
- Adjusted EBITDA amounts to EUR 17 Million as at 30 June 2013 compared to EUR 19 Million in 2012 as a result of sales and one-offs : decrease of Endurance Fund fees, absence of Sky Office income and exceptional pay back recognized in 2012.
- Gross interest expenses strongly decreased to EUR 20 Million compared to EUR 38 Million over the same period in 2012. Bank loans' interests decreased by EUR 2 Million year on year mainly as a result of the refinancing of GSG and the sale of assets partially compensated by penalty interest on Budapest and Croatian assets, which are non-cash and might still be recovered upon successful negotiation with banks. The bonds restructuring induces a decrease of non-cash interests by EUR 17 Million.

- The financial result stands at EUR 1 Million net loss as at 30 June 2013. Excluding the result of the bonds' restructuring (EUR 33 Million) in 2012 and on the debt buy back in 2013 (EUR 15 Million), the financial result is improving by EUR 16 Million mainly as a result of the decrease of interest expenses and positive result on the revaluation of interest derivatives partially compensated by a net loss from foreign exchanges.
- Over H1 2013, the Group records a net profit of EUR 7 Million compared to a net loss of EUR 9 Million over H1 2012.
- Gross Asset Value at the end of June 2013 stands at EUR 1.29 Billion (EUR 1.35 Billion end of 2012). The decrease of EUR 61 Million is driven by EUR 43 Million of sales (Bubny retail plot, U Hranic plot and Endurance Fund units), a foreign exchange decrease of EUR 22 Million, a like for like decrease in Market value by EUR 15 Million. This decrease is mainly attributable to adjustment of asset values of Development and Assets held for development in Central Europe of EUR 43 Million, as a result of more conservative assumptions taken by the Management. Those decreases are partially compensated by the rental portfolio increase in value of EUR 6 Million (including EUR 16 Million for the German portfolio) that is considered moderate by the Management in the view of the improved asset performance, and Group's investments of EUR 19 Million mainly in the Zlota 44 and Mezihori residential projects.
- Taking into account this summer EUR 15 Million capital increase, the EPRA Net Asset Value per share decreased from EUR 4.92 in December 2012 to EUR 4.46 in June 2013 pro forma, mainly driven by the dilution due to both the recent capital increase and the sale of OG shares, the foreign exchange losses and the decrease of market assets' value.
- The Group further improved its Loan to Value ratio, decreasing from 52.4% to 51.4% as of June 2013 and would further decrease to 50.2% taking into account the summer capital increase. It is the result of the repayment for EUR 40 Million of bank loans, the increase of cash and cash equivalents partially compensated by the negative evolution of assets values booked.
- Short term borrowings increased from EUR 233 Million to EUR 293 Million over H1 2013 mainly as a result of the reclassification of loans in breach Gebauer Höfe, Capellen and Zlota amounting to EUR 87 Million, although post-closing those 3 breaches have been cured. The biggest remaining breaches remains Suncani Hvar, which is in process of being cured, and Budapest loans. The total debt decreased by EUR 37 Million to EUR 664 Million after the EUR 15 Million buyback and the partial repayment upon sale of Bubny retail plot.

Outlook – Extract from the management message

"We reached our five year target of investment properties representing more than three quarters of our portfolio value. Our Berlin business is experiencing a sharp growth in profitability as a result of higher revenues, lower costs and lower interest charges. Hospitality, particularly Suncani Hvar, also improved its performance.

Our main developments are progressing given Bubny's master change process and the Unibail Rodamco joint venture. In a few days, we will launch the Zlota 44 brand and sales process for a product which brings the first modern highrise serviced luxury tower to Warsaw. Our residential development activities in Prague and Berlin are experiencing healthy margins in excess of 20%.

There are assets held for development in Prague and Budapest that require loan negotiations and have capex requirements. These assets are a negligible part of our NAV today. Although their development could be pursued if they provide high returns, we will decide in the coming months if our equity could be better employed in other locations such as Berlin.

We have a clear and simple real estate strategy for each of our businesses: to create value by using our investment and development expertise in the region to build and manage investment properties. Our stable group of shareholders is also firmly committed to this strategy as shown by their subscription to the recent capital increase. "

Jean-François Ott & Nicolas Tommasini

For a full version of the management message, please refer to the HY 2013 Management Report, chapter 1.

29 August 2013

Press release

Audited documents will be available tonight on:

<http://www.orcogroup.com/investors/financial-documentation/half-year-documents>

- Half Year 2013 Condensed consolidated interim financial information
- Half Year 2013 Management Report

For more information, please contact our Yves Désiront, Group CFO, ydesiront@orcogroup.com



'ZŁOTA' in Warsaw