27 March 2014 Press release

ORCO Property Group (OPG)

Full Year 2013 Unaudited Financial Information

Key recent events: 2013 and post-closing key events

- The Board of Directors approved the publication of the Group financial information under the going concern assumption (please refer to the financial statements note 2.1.1 describing the material uncertainties).

- In Prague, the recently completed project V Mezihori is the main contributor to the new sales contracted over 2013 with the signing of 78% of its opening inventory as of December 2012. The project is now 98% sold as of mid-March 2014 and completion of sales is expected by the end of H1 2014.The sales success of V Mezihori demonstrates strong local demand for attractive, efficient and well-priced projects.

- OPG and Orco Germany shareholding structure changes:

    - On 3 June 2013, Orco sold 19,900,000 shares (ISIN code LU0251710041) of its subsidiary Orco Germany S.A. (OG) at a price of EUR 0.40 per share for a total of EUR 7,960,000.

    - Implementation of reserved capital increase in Q3 2013 by 6.7 Million 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 largest shareholders, namely Gamala Limited, Kingstown Capital Management, LP, Alchemy Special Opportunities Fund II L.P. and Stationway Properties Limited.

    - Decision of the OG Board of Directors to raise up to EUR 126 Million on 3 March 2014. In addition to the EUR 54 Million that was raised on 29 November 2013 and paid by Tandis, a.s., an entity affiliated with Mr. Radovan Vitek by subscribing to 114.6 Million new ordinary shares and to the EUR 36 Million that was raised and paid by Stationway on 5 March 2014, an entity affiliated with Mr. Jean-François Ott, by subscribing to 76.6 Million new ordinary shares, an additional EUR 36 Million are to be raised through an offer limited to all shareholders holding at least 0.5% of the total outstanding OPG shares.

    - As a result of the capital increase subscribed by Stationway, the Company (OPG) has been diluted under the 50% ownership threshold in Orco Germany SA (OG). Going forward Orco Germany will not be a subsidiary company of OPG and will not be consolidated. As at December 2013, the OG sub-group was contributing to the Group cash position for EUR 52 Million out of EUR 89 Million total consolidated cash position.

- The luxury residential project Zlota 44 was exposed as a major financial failure for the Group in the fall of 2013. There are many causes of this situation, including lack of bank financing due to covenants default, termination of the general contractor, unsuccessful sales re-launch on the local Warsaw residential market. Therefore, late in 2013 the Board of Directors decided to terminate this strategy, suspend the works and later to sell the entire project as is and not to complete the development. On 26 March 2014, a short term option was granted to OTT Properties (related entity to the former management) to acquire the project; no new losses would be generated for the Group in case of exercise of that short term option.

- Generally the individual SPVs holding assets are ring-fenced in such a way as the group's loss is limited to its invested capital and intercompany loans, however due to exposures of OPG relating to parent company guarantees provided to subsidiaries involved in development (principally Zlota) the stability of the group has been substantially challenged. This challenge has necessitated the Board of OPG to seek liquidity through the further sale of shares in Orco Germany and potentially other assets.

- Orco's Hungarian subsidiaries initiated insolvency proceedings following unsuccessful negotiation with the financing bank to restructure the debt on assets such as Vaci I, Paris Department Store and Szervita. The restructuring period of the proceeding has been prolonged for an additional period of 120 days by the creditors' committee held the 14 March 2014.

- On 11 March 2014, a Suncani Hvar shareholders' general meeting was held in Zagreb. Most corporate and financial restructuring agenda points that were proposed by OPG were defeated because Suncani Hvar's state-owned shareholder DUUDI voted against them. Suncani Hvar's Management Board and Supervisory Board strongly urged DUUDI to vote in favor of these restructuring points not only to ensure that Suncani Hvar would have the flexibility to convert various corporate debts into equity and potentially increase its share capital but also to ensure that the company's employees would be secured. Suncani Hvar reserves all of its legal rights and is considering all available options at this time to protect its integrity and business, including but not limited to a pre-bankruptcy settlement.

- On 18 March 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor. Following negotiations and approvals from the Board of Directors of 26 March 2014, the Group and the former management agreed on 27 March 2014 on a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination and the holding of warrants by the former management. Under this settlement agreement, the former executives will receive EUR 7,150,000 in cash (EUR 1,150,000 to be paid in cash by Orco Germany SA). In addition, settlements in kind (non-core assets) were agreed with the former management to transfer the Pachtuv Palace hotel in Prague and the Hakeburg property in Berlin (with their related assets and liabilities) at the net asset value as of 31 December 2013 of EUR 8,400,000 including all related shareholders' loans granted by the Group. As a result of the settlement agreement, Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor resign from all their Board positions and particularly from OPG and OG boards.

- On 18 March 2014, the Company's Board of Directors decided to appoint Tomáš Salajka as CEO and Jiří Dedera as Managing Director of the Company.

Full year unaudited financial highlights

- Revenue decreased from EUR 245 Million in 2012 to EUR 146 Million in 2013. This variation is mainly driven by one off transactions on the commercial projects portfolio encompassing the disposal of Sky Office in 2012 for EUR 117 Million and the Bubny plot in 2013 for EUR 20 Million. Excluding these transactions the revenue grew by 2% from EUR 123 Million in 2012 up to 126 Million in 2013.

- The loss in fair value adjustments on investment properties and the impairments of development assets recognized in the income statement amount to EUR 193 Million over 2013. Impairments of EUR 159 Million mainly relate to Zlota 44 in Warsaw for EUR 121 Million and hotel portfolio of Suncani Hvar for EUR 26 Million. Revaluation losses recognized on investment properties amount to EUR 34 Million in 2013 with the strong performance of the German portfolio, whose value increased by 25 Million Year-on-Year, being more than offset by the significant decrease in value of portfolio located in Hungary and the Czech Republic.

- As a result of the ongoing difficulties on Central European real estate markets (excluding Germany), the operating result consists in a loss of EUR 164 Million in December 2013 despite the improvement of operational efficiency and reductions achieved in employment expenses. Historically, companies within the group have provided vendor financing to certain buyers when disposing of company assets, generating long term receivables. In 2013, the Group has recognised impairments relating to the expected value and recoverability of these assets, in particular Molcom (EUR 35 Million) and Leipziger Platz (EUR 6 Million) (see also next point).

- Reflecting the good performance of residential projects such as V Mezihori, the sale of a Bubny plot and in absence of the high operational costs of Sky Office, the adjusted EBITDA shows an increase by EUR 4 Million to EUR 37 Million as of end of December 2013, driven by an increase of EUR 12 Million for the Development activities.

- The financial result deteriorated from a gain of EUR 1 Million to a loss EUR 77 Million as at December 2013. Gross interest expenses recorded in the income statement decreased to EUR 37 Million from EUR 64 Million over the same period in 2012. The major improvement of interest expenses has been more than compensated by the losses on foreign exchanges, the major impairments on long term receivables, the losses on the revaluation of financial instruments at fair value and the absence of the major gain on the bonds' restructuring.

- The Net loss group share over 2013 amounts to EUR 227 Million compared to EUR 42 Million over 2012 mainly impacted by the decrease in value on the portfolio and the financial results.

- Gross Asset Value (GAV) at end of 2013 stands at EUR 1,035 Million (EUR 1,348 Million end of 2012). The decrease of EUR 313 Million is mainly driven by a EUR 56 Million impairment on financial assets and a EUR 208 Million like-for-like decrease in assets' value notably on key development projects namely Zlota 44 (EUR-103 Million) and Bubny (EUR-35 Million). Property Investments asset's value decreases like for like by EUR 58 Million due to EUR 26 Million impairment on the valuation of the Suncani Hvar portfolio and EUR 23 Million of decrease on the value of rental assets.

- Loan To Value (LTV) increased from 48% as of December 2012 to 52% as of December 2013.

- Net Asset Value per share decreased from EUR 4.93 as of December 2012 down to EUR 1.92 as of December 2013 as a consequence of the recorded depreciations on the portfolio's value and the decrease in the ownership of the Group in Orco Germany from 98.02% down to 58.48%. At 27 March 2014 OPG owns 45% of Orco Germany.

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Outlook – Extract from the management message

After the recent major management restructuring the Group is on the verge of major activities restructuring in order to face its critical liquidity risks and to adjust its managing structure to the scope of its remaining activities. Your new management is currently working on the new business plan that would allow the Group to face its short, medium and long term engagements as well as establish sustainable operating cash flow and create value for its shareholders.

Over 2013, the Group recorded a total of EUR 252 Million provisions, impairments and valuation adjustments. This material amount has been triggered by various reasons fully detailed in the financial statements and mainly result from the Group failure on major residential projects, difficulties to collect its long term receivables and going concern uncertainties of some subsidiaries. The impairment on the Zlota 44 residential project represents alone more than half of that amount.

Those difficulties not only generate non-cash impairments but also trigger high liquidity risks as described in the going concern note of the financial statements. Your management is particularly concerned by the potential guarantee calls from the banks financing the Zlota 44 project and the Budapest portfolio. The Board of Directors decided to sell some assets in order to be able to face these risks. An independent advisor has been appointed in order to proceed with the sale of some or all Orco Germany shares. After the loss of control following the capital increases, the Group has no direct access to the cash available in the former German sub-group. The results of this deconsolidation will be evident in the financial statements for Q1 2014 which will be released on May 28th according to the financial calendar.

The coming months will be dedicated to the restructuring of the remaining Central European portfolio and the definition of the scope of activities by mainly:

- selling Zlota 44 project as is;
- screening the portfolio in order to identify the assets that should be kept and/or developed and the assets that should be sold in order to support the turnaround of the portfolio;
- solving the refinancing issues of Suncani Hvar, the hospitality joint venture, Capellen, the Budapest portfolio and the Polish portfolio.

Those changes to the Group scope of activities will also require major changes in the Group organization and headquarter structure. During 2013, the offices of Paris and Budapest have been closed and the one of Luxembourg has been materially shrunk. Your management will continue to restructure the group administration in order to reach industry ratios of profitability.

Tomas Salajka, CEO Jiri Dedera, Managing Director

Unaudited documents will be available tonight on:

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

- Full Year 2013 unaudited financial report
- Full Year 2013 unaudited management report

Final Audited Financial Information will be made available over the coming days without any major differences expected.

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