

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	June	June 2010
	2011	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 3 3 3	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	-8311	-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	3101	1 260
Foreign exchange result	12 664	-6910	-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	-4232	-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 Hotels and own-occupied buildings Fixtures and fittings Properties under development	5	165,326 152,298 12,481 547	237,851 222,563 15,288 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 Inventories Trade receivables Other current assets Derivative instruments Current financial assets Cash and cash equivalents Assets held for sale	6 8 7	639,139 406,325 38,887 38,263 16 382 35,200 120,066	698,050 418,957 34,349 59,105 0 302 53,439 131,898
TOTAL		1,809,455	1,902,305
Fauity	and liabi	lities	
_4,		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 Non-current liabilities Bonds Financial debts Provisions & other long term liabilities Derivative instruments Deferred tax liabilities	10 10	1,471,260 463,122 145,285 213,513 13,980 0 90,344	1,546,336 903,080 235,667 526,991 14,307 19,323 106,792
Current liabilities Current bonds Financial debts	10	1,008,138 118,166	643,256 8,222 389,282
Trade payables Advance payments Derivative instruments Other current liabilities Liabilities linked to assets held for sale	10 10 7	681,662 17,441 33,869 43,856 74,096 39,048	21,011 32,714 27,469 88,064 76,494

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 Subfund.
- 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: Nicolas Tommasini +331 40 67 67 23 or at investors@orcogroup.com