Press Release

25 November 2010

Orco Property Group - 9 months 2010 results

Key recent events:

- Zlota 44: Building permit was revalidated; works to resume in the coming months
- Vaci1: Top up (structural completion) in October 2010, according to plan
- Over Q3 2010, assets disposal for EUR 35 Million have been closed and delivered; since the beginning of Q4 2010, EUR 23 Million asset disposal have also been contracted
- In Q3 2010, recovery of EUR 12 Million of free cash upon delivery of commercial development for Peugeot, and from the restructuring of a shareholder loan on the Central European Hospitality portfolio

Quarter financial highlights

- Revenues of the quarter amount to EUR 65 Million against EUR 55 Million last year
- Decrease of operational expenses by 11% quarter on quarter and by 7% year on year
- Q3 Adjusted EBITDA at EUR 17 Million, a year on year increase of EUR 5.5 Million
- Net interest expenses of the quarter amount to EUR 23 Million compared to EUR 25 Million in Q2 2010
- Net profit at EUR 4 Million compared to a net loss of EUR 1 Million in Q3 2009

Q3 2010 real estate market update:

- Sharp recovery of the investment market for commercial properties in both Germany and CEE. Investment activity in the CEE region has reached a volume of EUR 1.5 Billion in Q3 2010, showing an almost 60% increase quarter over quarter; most of the transactions were concluded in Poland and Russia, while the rest of CEE markets showed more modest growth (source: CBRE).
- Average vacancy rates and rents of Prague and Berlin office markets bottomed out in the third quarter (source: DTZ).
- Demand on Warsaw residential market is recovering faster than in Prague and Bratislava, where there are still a significant number of finished apartments available for sale.

I. Unaudited Profit and Loss Statement

	September 2010	September 2009	Q3 2010	Q2 2010	Q3 2009
Revenue	**228,240**	**186,843**	**65,163**	**111,592**	**54,527**
Net gain /(loss) from fair value adjustments on investment property	26,629	-153,282	0	26,629	0
Other operating income	3,940	3,198	1,607	1,711	-427
Net result on disposal of assets	788	-726	1,060	-394	43
Cost of goods sold	-112,197	-85,261	-24,298	-70,434	-12,935
Employee benefits	-32,361	-35,550	-11,306	-10,728	-11,666
Amortisation, impairments and provisions	-10,468	-106,051	-2,157	-5,619	-3
Other operating expenses	-52,666	-57,671	-15,935	-20,007	-17,693
Operating result	**51,904**	**-248,500**	**14,134**	**32,750**	**11,847**
Interest expenses	-74,806	-61,730	-23,276	-26,503	-20,037
Interest income	3,972	6,914	872	1,485	1,862
Foreign exchange result	4,398	5,202	11,308	-11,660	5,845
Other net financial results	256,698	-27,160	1,294	262,435	-6,454
Financial result	**190,262**	**-76,775**	**-9,804**	**225,756**	**-18,784**
Profit/(loss) before income taxes	**242,166**	**-325,275**	**4,330**	**258,506**	**-6,936**
Income taxes	-5,140	65,887	-805	-4,041	4,939
Net profit/(loss) for the period	**237,026**	**-259,388**	**3,525**	**254,465**	**-1,998**
Total profit/(loss) attributable to:					
non controlling interests	-4,917	-58,170	-684	1,134	-637
owners of the Company	**241,943**	**-201,218**	**4,210**	**253,331**	**-1,361**

Revenues increased by 22% to EUR 228.2 Million from EUR 186.8 Million over the same period in 2009. This increase by EUR 41.4 Million is explained by the sale of some major commercial projects. Operating result excluding any valuation adjustments, amortization, impairments and provisions improves from EUR 10.8 Million as of September 2009 to EUR 35.7 Million as of September 2010.

Revenues for the quarter increased by 20% from EUR 54.5 Million over Q3 2009 to EUR 65.2 Million over Q3 2010. The operating results for the quarter excluding any valuation adjustments, amortization, impairments and provisions reached EUR 16.3 Million in Q3 2010 compared to EUR 11.8 Million in Q3 2009.

A. Revenues by segment

Development revenues increased by EUR 46.9 Million as a result of the sale of German commercial developments while Asset Management revenues decreased by EUR 5.5 Million.

in EUR Million	Development	Asset Management	TOTAL
30 September 2010	127,1	101,2	228,2
30 September 2009	80,2	106,6	186,8
Variation YoY	46,9	-5,5	41,4
Q3 2010	25,5	39,7	65,2
Q3 2009	10,0	44,5	54,5
Variation YoY	15,5	-4,8	10,6
Q2 2010	79,2	32,4	111,6
Variation QoQ	-53,7	7,3	111,6

a. Development business line

- **Residential developments**

The residential development sales have decreased from EUR 42.1 million over the first nine months of 2009 to EUR 38.2 Million in 2010. Over the first nine months of 2010, 235 units have been delivered compared to 306 over the same period in 2009. In 2010, the Company is mainly selling units finalized over the previous periods.

Besides the volatility inherent to quarterly development deliveries and the group strategic decision of refocusing residential developments on the capital cities of Prague and Warsaw, this drop in sales reflects both the difficult market conditions in the Czech Republic and Slovakia, and the absence of new developments launch over the past 2.5 years.

Over Q3 2010, the main developments contributing to the revenues are Malborska for EUR 15.9 Million and Drawska for EUR 4.7 Million in Poland, Kosic for EUR 3.9 Million, Nove Dvory for EUR 2.3 Million and Benice for EUR 2.1 Million in the Czech Republic.

The backlog on projects either finalized or under construction amounts to 734 units including an order backlog (units covered by a future purchase or a reservation contract) of 154 units:

- 247 units in the Czech Republic including an order backlog of 20 units,
- 428 units (incl. 251 units in Zlota 44) in Poland including an order backlog of 124 units,
- 59 units in Slovakia including an order backlog of 10 units.

As of September 2010, the inventories include 390 completed residential units (Poland 177 units, Czech Republic 154 units, Slovakia 59 units), in total value of EUR 70.9 million with a remaining bank debt of EUR 18.1 million.

For the last quarter of 2010 and over 2011, residential demand in the Czech Republic and Slovakia is expected to increase slightly although prices could fall further. The market in Warsaw seems to have bottomed out, with sales picking up and prices starting to increase. In 2011, demand in Poland is expected to grow under the positive influence of banks increase in mortgage granted at lower margins. Meanwhile in the Czech Republic access to credit remains difficult and this will bring developers to compete in offering buyers creative ways to finance their investments. Sales in Slovakia should also ultimately benefit from a decrease in mortgage rate.

In October 2010 the Governor of the Mazovian Voivodship has confirmed the validity and effectiveness of the building permit for the Złota 44 apartment project in the center of Warsaw. Following this decision, the Group is finalizing the appointment of the general contractor, construction works are scheduled to restart in January 2011. The global construction costs following the new tender have decreased by 19% compared to the

previous contract. Negotiations on extension of the existing loan facility are at a final stage. Sales are to be reopened in December 2010 at the same prices as in 2008. At the end of October 2010, the project was 35% pre-sold. While the one year long unfortunate administrative and legal delays have made it difficult, Orco will do its utmost to complete the project as shell and core for the EURO 2012 which will take place in Poland.

- **Commercial developments**

During the first nine months of 2010, the commercial development revenues reached EUR 88.5 Million compared to EUR 6.1 Million over the same period in 2009. In 2010, those revenues mainly included the projects sales of H2 Office in Duisburg for EUR 32.8 Million, the 4 German health care assets for EUR 40.2 Million, the Peugeot showroom in Warsaw for EUR 3.9 Million and a logistic asset in the Czech Republic for EUR 4.8 Million. Over the first nine months of 2010, the revenues include EUR 6.8 Million of rents (mainly Sky Office for EUR 4.1 Million) on unsold developments in inventory.

During the third quarter the commercial development revenues reached EUR 16.8 Million mainly with the delivery of Danzigerstrasse, the fourth health care asset in Berlin, Rudna in Prague and Peugeot Showroom in Warsaw.

The Vaci 1 department store project, or the former Budapest Stock Exchange Building located on the main highstreet square of Budapest, with an entire area of 22,737 sqm GFA and 11,378 sqm GLA, is now structurally completed. The planned delivery of this retail emporium is expected to occur in the autumn of 2011. The project is currently 60% pre-leased or under advanced negotiations with internationally renowned retail chains and brands. As part of the signed agreements, a total area of 1,215 sqm was already pre-let to restaurant operators and other tenants providing catering services.

During the third quarter of 2010, the Prague 7 administration importantly gave its greenlight to Orco proposed zoning changes. The project team is expected to submit shortly an application for the change to the City of Prague master plan. The approval of the master plan change is expected in 2011, while the first phase of construction works is planned for 2013. The whole development will take up to 20 years and the total investment will reach thirty to fifty billion Czech crowns. In line with its development strategy for Bubny, Orco already signed a memorandum of understanding for joint venture agreement with ECE (major German retail developer) for the development of a retail center. More such partnerships with private or public organizations are currently under negotiations.

The land plot at Leipziger Platz embodies the last undeveloped piece of land at the gateway between east and west in the very centre of Berlin, in the immediate vicinity of the Brandenburg Gate. Orco Germany Group, held at 59% by the Company, owns this 2ha site since 2007, when it was purchased for EUR 75.0 Million. In November 2010, ORCO Germany S.A. confirmed that it would sell the project to High Gain House Investments GmbH (HGHI), a local developer, while co-developing the plot into a mixed project made of a shopping centre, offices and residential units for a total of 72,600 sqm NLA. The total development costs are estimated at EUR 403-410 Million. A majority of the commercial space has already been pre-leased. Construction works could begin as early as year end.

Commercial development sales over the last quarter of 2010 and in 2011 will mainly be influenced by the potential sales of Sky Office and Vysocany Gate.

b. Asset Management business line

Revenues from the asset management business line include revenues from asset rental, hospitality and asset management (Endurance Fund). During the first nine months of 2010, the revenues generated by this business line reached EUR 101.2 Million (EUR 106.6 Million as of September 2009).

- Rental and asset management

Rental and asset management revenues have been decreasing year on year from EUR 82.6 Million in September 2009 to EUR 74.1 Million as of September 2010. This variance is mainly the consequence of EUR 6.8 Million drop in asset management revenues, from EUR 10.8 Million to EUR 4.0 Million. Rental revenues decreased by

EUR 1.6 Million from EUR 71.7 Million to EUR 70.1 Million. The negative variance in rental revenues year over year is essentially due to:

- A decrease of EUR 1.8 Million related to assets disposals.
- A decrease of EUR 3.2 Million following anchor tenants' departure from former Bubenska, Budapest Bank office building and Stribro Industrial Park.

The negative variance is partially offset by revenue increases such as:

- EUR 1.5 Million generated by three Czech commercial projects delivered end of 2009.
- EUR 2.3 Million generated by commercial assets in Berlin.

As of September 2010, the rental portfolio had a total net leasable area of approximately 1.2 Million sqm. Despite the disposal of several German assets, Germany still represents 71% of the total Group net leasable area.

The occupancy rate of the rental portfolio reached 73.8% as of September 2010 compared to 75.8% as at June 2010. This decrease in occupancy was driven by lease contracts terminated in July 2010 by tenants of commercial assets in Stribro and in Budapest (former Budapest Bank building), leading to nearly zero occupancy rate on these assets representing 38,698 sqm. Excluding GSG, the occupancy by category amounted to 51.5% of office spaces and 74.4% on logistic areas.

Management expects this quarter to be a bottom in rental revenue over Central and Eastern Europe as the take-up has started rebounding in the region and several assets have strong leasing potential. Occupancy rates are steadily increasing with new contracts signed or under negotiation on Molcom, Bubenska, Na Porici, Hradcanska and Paris Department Store.

GSG portfolio in Berlin, with a total net leasable area of 0.8 Million sqm, contributed with EUR 12.2 Million revenue during the third quarter of 2010. Its occupancy rate increased to 77.2% compared to 77.1% as at June 2010, while the average net rent remained stable at EUR 4.8 per sqm.

Molcom revenue contribution over the period remained stable (EUR 14.6 Million in 2010 compared to EUR 14.3 Million last year). The positive variance of EUR 0.3 Million results from currency differences. The occupancy increased from 68.5% to 75.8% quarter over quarter as some of the newly signed lease-agreements became effective.

- Hospitality

The positive trend of the second quarter continued to influence the results of the CEE portfolio over Q3 2010. Average occupancy for September year to date reached 68% (60% last year) and ADR amounted to EUR 90.8 (same as last year). Revenues at EUR 11.3 Million increased by 7% compared to last year. Overall in the markets we operate in, occupancy showed a steady growth with the exception of Bratislava. The recovery of occupancy seems now steady, while ADR in all cities decreased during Q3 2010, a normal trend in relation to the summer months occupied by leisure tourism. In Moscow, the decrease in ADR in Q3 2010 is also due to new supply with over 1,390 new rooms into the luxury segment. This new supply is expected to continue to affect the market until the Q2 2011 in terms of rate.

Regarding the Suncani Hvar resort portfolio in Croatia, revenue as of September 2010 increased by 17% to reach EUR 14.6 Million compared to EUR 12.5 Million the year before. This increase in revenue is due to the new strategy in food and beverage, an increase of occupancy from 55% over the first nine month 2009 to 57%, and increased inventories. ADR on the other hand decreased by 4% due to the decision to open additional "budget" non refurbished hotel rooms during high season, a 10% increase of the number of bedrooms.

B. Adjusted EBITDA

The adjusted EBITDA amounts to EUR 38.8 Million compared to EUR 23.3 Million as of September 2009 representing an increase of 46%. Over Q3, the Adjusted EBITDA amounted to EUR 17.4 Million compared to EUR 13.3 Million over Q2 2010, mainly as a result of the summer seasonal impact of Suncani Hvar. The restructuring plans implemented are still improving the operationnal performance reducing employee benefits and other operating expenses by 9%, year on year. The Adjusted EBITDA margin reached 17.0% over the first nine months of 2010 compared 12.5% over the same period in 2009.

In EUR Thousand	Development	Asset Management	Total 9 months		Development	Asset Management	Total Q3 2010
Operating result	**-7 855**	**59 759**	**51 904**		**-3 361**	**17 495**	**14 134**
Net gain from fair value adjustments on investment property	-104	-26 525	-26 629		5	-5	0
Amortisation, impairments and provisions	5 530	4 938	10 468		1 527	629	2 156
Past valuation on goods sold	3 798	0	3 798		2 176	0	2 176
Net result on disposal of assets	-431	-357	-788		-471	-589	-1 060
Adjusted EBITDA 30 September 2010	**938**	**37 816**	**38 754**	**Q3 2010**	**-124**	**17 530**	**17 406**
Adjusted EBITDA 30 September 2009	**-13 240**	**36 547**	**23 307**	**Q3 2009**	**-6 799**	**18 714**	**11 915**

Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash elements and non recurring elements (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Correction of costs of goods sold being the reversal of past non cash valuation adjustments and impairments – 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.

The total amount of operating expenses as of September 2010 is EUR 8.2 Million lower than the amount as of September 2009. The main drivers of this performance are the year on year reduction of operating expenses in CEE asset management activities by EUR 4.4 Million, in Suncani Hvar operations by EUR 2.9 Million, in CEE hospitality by EUR 1.3 Million, in CEE residential development activities by EUR 1.1 Million and in headquarters by EUR 0.7 Million. Those positive impacts are partially offset by the EUR 1.6 Million increase of the operating expenses of the German activities due to one-off restructuring costs. Recurring operating expenses are continuing to substantially decrease.

Amounts in EUR Million	30 September 2010	30 September 2009	Variation in %	Q3 2010	Q2 2010	Variation Q-o-Q in %	Q3 2009	Variation Y-o-Y in %
Employee benefits	-32,4	-35,6	-9%	-11,3	-10,7	5%	-11,7	-3%
Leases and rents	-3,8	-3,5	10%	-1,2	-1,2	-2%	-1,3	-7%
Building maitenance and utilities	-21,8	-23,4	-7%	-5,4	-8,4	-35%	-7,3	-26%
Marketing and representation costs	-3,1	-4,8	-35%	-1,0	-1,4	-25%	-1,7	-40%
Administration costs	-18,4	-19,2	-4%	-6,5	-6,9	-5%	-5,8	13%
Taxes other than income tax	-5,1	-4,9	5%	-1,8	-2,1	-14%	-1,6	16%
Other operating expenses	-0,5	-1,9	-77%	0,1	0,0	NS	0,0	NS
Total	**-85,0**	**-93,2**	**-9%**	**-27,2**	**-30,8**	**-11%**	**-29,3**	**-7%**

Operating expenses decreased by 11% quarter-on-quarter. The slight increase in employee benefits recorded in Q3 2010 compared to Q2 2010 is mainly due to the seasonal impact of EUR 0.6 Million in Hvar related to summer employment.

C. Valuation adjustments and impairments

No new valuation adjustments and impairments on real estate assets were recorded over the third quarter.

D. Net gain or loss on the sale of assets

During the first nine months of 2010, EUR 66.7 Million asset sales have been recognized in profit and loss statement, mainly in Germany with Cumberland, Ku-Damm 103, Genestrasse and Brunnenstrasse 27 in Berlin respectively for EUR 28.0 Million, EUR 8.2 Million, EUR 1.7 Million and EUR 1.4 Million, with Helberger in Frankfurt for EUR 11.0 Million, with Wasserstrasse for EUR 8 Million and Max-Planck-Strasse for EUR 5.8 million in the Ruhr Region. These sales generated net accounting profit of EUR 0.8 Million and net cash inflow of EUR 16.2 Million.

During the third quarter EUR 35.3 Million have been recognized in the profit and loss statement mainly in Germany with Cumberland, Max-Planck-Strasse and Brunnenstrasse generating a net accounting profit of EUR 0.2 Million and net cash inflow of EUR 11.3 Million.

Since the beginning of Q4 2010, two additional asset disposals have been contracted in the Czech Republic and Hungary for a total value of EUR 23 Million. Both transactions are expected to be closed by the end of the year at prices above latest DTZ valuation, demonstrating the rebound of the investment market.

E. Financial Result

Out of total of gross interest expenses of EUR 74.8 Million as of September 2010, interests on bonds account for EUR 29.3 Million (EUR 27.5 Million in 2009) out of which:

- EUR 23.4 Million on the Company bonds restructured by the Safeguard plan (EUR 22.0 Million in 2009).
- EUR 5.9 Million on the Orco Germany bond (EUR 5.5 Million in 2009).

As a result of the Safeguard Procedure interests on the Company bonds are no longer accrued separately on the Balance Sheet compared to accruals of EUR 11.2 Million as at September 2009. The interest expenses are increasing the nominal of each bond and are payable as per the schedule available in the Safeguard plan.

The increase of interest expenses is also the consequence of the effective bonds interests methodology and the non capitalization of interests on projects on hold such as Zlota (EUR 2.1 Million expenses in 2010, EUR 0.2 Million in 2009) or on building offices finalized such as Sky Office (EUR 3.8 Million over 2010, nil in 2009).

The net interest expenses over Q3 2010 amount to EUR 70.8 Million to be compared to a total Adjusted EBITDA of EUR 38.8 Million:

- Bank loan interests on rental properties amount to EUR 21.9 Million with an adjusted EBITDA contribution of EUR 29.9 Million.
- Bank loan interests on hospitality properties amount to EUR 4.8 Million with an adjusted EBITDA contribution of EUR 4.5 Million.
- On hold and finalized projects Bank loan interests at EUR 7.2 Million (mainly German projects sold or to be sold EUR 4.3 Million and Zlota 44 EUR 2.1Million)
- Interest income amounts to EUR 4.0 Million.

It is a main management priority to both reduce its interest expenses (by for example selling negative cash flow assets) and increase its profitability so as to achieve a full coverage of interests by adjusted EBITDA by 2012.

The financial result shows a profit of EUR 190.3 Million compared to a loss of EUR 76.8 Million over the first nine months of 2009. It relates mainly to the change in the carrying value of liabilities on the bonds following the approval of the Safeguard plan. This arises from the difference between the derecognition of the value of bonds on the date of approval of the Safeguard plan (19 May 2010) amounting to EUR 388.9 Million and of accrued interest thereon amounting to EUR 17.1 Million with the recognition of their new valuation of EUR 135.9 million reduced by the value of the Company owned bonds of EUR 7.0 Million.

II. Unaudited consolidated interim balance sheet in EUR thousand

Assets	September 2010	December 2009
NON-CURRENT ASSETS	**1,409,911**	**1,392,979**
Intangible assets	**48,377**	**48,903**
Investment property	**1,077,397**	**1,072,304**
Property, plant and equipment	**249,485**	**235,677**
Hotels and own-occupied buildings	231,365	215,393
Fixtures and fittings and other equipmen	18,120	20,284
Financial assets at fair value through profit and loss	**31,077**	**32,353**
Deferred tax assets	**3,575**	**3,742**
CURRENT ASSETS	**527,296**	**630,554**
Inventories	385,598	482,605
Trade receivables	30,918	31,379
Other current assets	51,506	56,347
Derivative instruments	12	2,695
Current financial assets	314	488
Cash and cash equivalents	58,948	57,040
ASSETS HELD FOR SALE	**20,958**	**48,930**
TOTAL	**1,958,165**	**2,072,463**

Equity and liabilities	September 2010	December 2009
EQUITY	**365,834**	**104,730**
Equity attributable to owners of the Compai	**321,707**	**56,577**
Non controlling interests	**44,127**	**48,153**
LIABILITIES	**1,592,331**	**1,967,733**
Non-current liabilities	**894,040**	**1,021,463**
Bonds	226,938	409,397
Financial debts	530,926	484,634
Provisions & other long term liabilities	16,869	16,918
Derivative instruments	12,982	9,289
Deferred tax liabilities	106,325	101,225
Current liabilities	**674,047**	**894,819**
Current bonds	8,231	59,219
Financial debts	466,692	595,776
Trade payables	28,113	33,480
Advance payments	42,468	53,212
Derivative instruments	36,620	44,380
Other current liabilities	91,923	108,752
Liabilities linked to assets held for sale	**24,244**	**51,451**
TOTAL	**1,958,165**	**2,072,463**

III. Bank liabilities

As of September 2010, bank debt amounts to EUR 998 Million (vs. EUR 1,044 Million in September 2009), with 77% of the bank loans financing income producing commercial assets. The GSG loan, which represents 30% of the total bank debt, is maturing in June 2012.

During the third quarter of 2010, the bank financing team completed the following:

- Na Poříčí, financed with a EUR 38.6 Million loan; the loan has been extended till January 2012
- Disposals in Germany led to loan repayments in total amount of EUR 30.5 Million
- Bubny, financed with a EUR 28.4 Million loan; the loan has been extended by 2 years until November 2012.

IV. Outlook :

Over 2011, the Group expects to achieve revenues between EUR 350 Million and EUR 380 Million including the potential sale of Sky Office building in Düsseldorf.

Message from Mr. Jean-François Ott, CEO of Orco Property Group

"During this quarter, we have accelerated the restructuring of our portfolio, with non strategic asset sales and downsizing of peripherical activities while making great progress on key major development projects like Zlota, Bubny, Vaci 1 or Leipziger Platz. Those projects have enormous value creation potential and they will support the growth of our cash flow over the coming years".

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