Luxembourg, 29 May 2015 Press Release

ORCO PROPERTY GROUP

Q1 2015 Financial Results

Key recent events

- Annual General Meeting of 28 May 2015: The Annual General Meeting of the shareholders of ORCO PROPERTY GROUP (the "Company" and together with its subsidiaries as the "Group") held on 28 May 2015 (the „Meeting") approved the statutory annual accounts and consolidated annual accounts for the financial year ending 31 December 2014, as well as the allocation of financial results for the financial year ending 31 December 2014. The Meeting decided to appoint Mr. Jiří Dedera, Mr. Edward Hughes, Mr. Pavel Spanko and Mr. Guy Wallier to the Board of Directors of the Company until the Annual General Meeting of 2016 concerning the approval of the annual accounts of the Company for the financial year ending 31 December 2015. Mr. Jiří Dedera was also elected Managing Director (*administrateur délégué*) of the Company.

- Prepayment on Zlota disposal: Further to the disposal of Zlota 44 project the Company proceeded with an additional "Mandatory Prepayment on Zlota Disposal" under the terms and conditions of the notes registered under ISIN code XS0820547742, issued by the Company on 4 October 2012, as amended and restated on 7 November 2014 (the "Notes"). The prepayment in the amount of EUR 2.2 million was distributed to the holders of the Notes on 30 January 2015. Accordingly, the current outstanding principal of the Notes decreased from EUR 67,290,077.48 to EUR 65,064,248.49.

- Acquisition of development project: On 19 December 2014 the Group entered into an agreement concerning the development project located in Prague 10. The project comprises of approximately 33 thousand sqm of developable land. The Group already owns 31 thousand sqm of directly adjacent land. The completion was subject to certain corporate approvals on seller´s side, which were granted on 10 March 2015, thus the acquisition became effective. The Group acquired an excellent developable land plot of approximately 64 thousand sqm with good location. The purchase price for transfer of shares and receivables is EUR 5.7 million.

- Kingstown legal action: On 20 January 2015 the Group received a summons containing legal action of the three companies Kingstown Partners, Kingstown Partners II and Ktown, claiming to be former shareholders of the Group. The action seeks a condemnation of the Group, CPI Property Group and certain members of the Group´s board of directors as jointly and severally liable to pay damages in the amount of EUR 14,485,111.13 and compensation for moral damage in the amount of EUR 5,000,000. According to Kingstown´s allegation the claimed damage has arisen as a consequence of inter alia alleged violation of the Group´s minority shareholders rights.

Q1 2015 Financial highlights

The results of the first three months of 2015 are showing stabilization after the reorganization of the Group throughout 2014. In line with this, the Group recorded lower net loss attributable to owners of the Company in the amount of EUR 6.2 million compared to a loss of EUR 53.4 million in Q1 2014.

- Total revenue decreased by EUR 4.4 million year-on-year to EUR 3.9 million, mainly as a result of finished sales on projects Mezihoří and Mostecká in Prague and Koliba in Bratislava. Renting properties are contributing to the total rent revenue by EUR 1.7 million.
- Operating result went up from EUR -18.6 million in Q1 2014 to EUR -1.7 million. This improvement is an effect of the one-off items reported in 2014 – mainly the indemnity payments for termination expenses and provision for corporate guarantee related to Hungarian assets in bankruptcy proceedings.
- Adjusted EBITDA has improved in both development and property investment segment, in total by EUR 10.5 million year-on-year.
- Improved financial result amounts to EUR -4.0 million, compared to EUR -28.5 million over the same period in 2014 and arises mainly from loss recognized on disposal of project Slezská in Ostrava and additional impairments.
- LTV ratio went slightly down compared to December 2014 from 38.1% to 37.2% as at 31 March 2015. Total amount of financial liabilities including bonds is EUR 142.7 million as at the end of March 2015 in comparison to EUR 141.3 million at the end of 2014. Fair value of portfolio evaluated from EUR 355.1 million to EUR 376.0 million.

Unaudited income statement

	3 months 2015	3 months 2014
Revenue	**3,917**	**8,296**
Sale of goods	*370*	*4,510*
Rent	*1,945*	*2,241*
Hotels and restaurants	*-*	*363*
Services	*1,601*	*1,182*
Net gain from fair value adjustments on investment property	(2,536)	433
Other operating income	60	60
Net result on disposal of assets	18	5
Cost of goods sold	(302)	(3,505)
Employee benefits	(287)	(10,901)
Amortisation, impairments and provisions	101	(9,330)
Operating expenses	(2,655)	(3,653)
Operating result	**(1,686)**	**(18,594)**
Interest expense	(3,035)	(4,339)
Interest income	168	484
Foreign exchange result	2,223	(244)
Other net financial results	(3,380)	(24,420)
Financial result	**(4,024)**	**(28,518)**
Share of profit or loss of entities accounted for using the equity method	**(326)**	**(96)**
Loss before income taxes	**(6,036)**	**(47,208)**
Income taxes	(134)	(329)
Loss from continuing operations	**(6,170)**	**(47,537)**
Loss after tax from discontinued operations	-	(1,821)
Net loss for the period	**(6,170)**	**(49,357)**
Total loss attributable to:		
Non-controlling interests	(6)	4,056
Owners of the Company	**(6,164)**	**(53,413)**

1 Revenue by segment

Year on year, the first 3 months revenue went down to EUR 3.9 million, compared to EUR 8.3 million in the same period of 2014. This decrease comes primarily from the development business line.

	Development	Property Investments	Total
YTD Revenue			
As at March 2015	609	3,308	3,917
As at March 2014	4,620	3,678	8,298
Variation	**(4,011)**	**(370)**	**(4,381)**

1.1 Property Investments

The Property Investments' revenue decreased by 10.3% compared to 2014, reaching EUR 3.3 million as of March 2015.

Revenue from rental and hospitality activities decreased by EUR 0.9 million, respectively EUR 0.4 million, in both activities as a result of the disposal of assets - Hlubočky and Dunaj, respectively Pachtův Palác.

1.2 Development

Decline of revenue from residential projects corresponds to lower stock where almost all the projects have been sold out. The main contributors of revenues recognized in Q1 2015 were projects V Mezihoří in Prague (EUR 0.3 million) and Klonowa Aleja in Warsaw (EUR 0.1 million).

At present, the key project is Slunečný vršek with the last phase comprising of 253 units, which is divided into two sub-phases. Sale of the first sub-phase with 153 units was launched in Q4 2013 and has exceeded expectations with 133 units pre-sold as of March 2015. Completion of the first sub-phase is scheduled for H2 2015 with first deliveries still in 2015. The second sub-phase with 80 units was launched in Q4 2014, with construction started in Q1 2015 and planned to be completed not later than in 2016, and follows the success of the first sub-phase with 37 units pre-sold as of March 2015. Kosik is a joint venture project that is consolidated under the equity method.

Following the success of the residential project Benice 1B phase (32 row houses, semi-attached and detached houses located south-east of Prague), an additional phase Benice 1C with 9 houses is currently under development with launch of sale in Q2 2015 and start of construction planned for Q3 2015.

New acquisitions made in 2014 provide the support for the future pipeline of the Group. These future projects, developable in the coming years, consist of freehold land with a potential for development of residential, office, hospitality and retail premises.

2 Operating expenses

Operating expenses decreased by 80% to EUR 2.9 million over Q1 2015. The decrease is mainly due to reduction in headcount and one-off expenses related to termination indemnities, which occurred in 2014.

	3 months 2015	3 months 2014
Leases and rents	(27)	(118)
Building maintenance and utilities supplies	(799)	(1,008)
Marketing and representation costs	(121)	(390)
Administration costs	(1,528)	(1,746)
Taxes other than income taxes	(133)	(205)
Hospitality specific costs	0	(46)
Other operating expenses	(48)	(140)
Employee benefits	(287)	(10,901)
Total operating expenses	**(2,943)**	**(14,554)**

3 Adjusted EBITDA[1]

Operating result is showing positive YoY variation, loss of EUR 18.6 million reported in Q1 2014 decreased to a loss of EUR 1.7 million over the same period in 2015.

	Development	Property Investments	TOTAL
Operating Result - 3m 2015	**(1,288)**	**(398)**	**(1,686)**
Net gain or loss from fair value adjustments on investment property	1,068	1,468	2,536
Amortisation, impairments and provisions	5	(106)	(101)
Termination indemnities	-	-	-
Net result on disposal of assets	-	(18)	(18)
Adjusted EBITDA - 3m 2015	**(215)**	**946**	**731**
Adjusted EBITDA - 3m 2014	**(6,312)**	**(3,443)**	**(9,755)**
Variation YoY	**6,097**	**4,389**	**10,486**

The adjusted EBITDA shows significant improvement of EUR 10.5 million compared to Q1 2014. Positive evolution in both segments is explained mainly by one-off expenses for termination indemnities reported in 2014.

4 Financial Result

4.1 Interests

The interest expenses YoY further decreased by EUR 1.3 million from EUR 4.3 million to EUR 3.0 million. The bank interest for the first 3 months of 2015 amounts to EUR 1.0 million for the Property investment activity and to EUR 0.2 million for the Development activity. As of March 2015, Safeguard Bonds and New Notes interests amount to EUR 1.8 million for the first 3 months of 2015.

4.2 Other net financial results

Other net financial results amounting to EUR -3.4 million consist mainly of: (i) additional impairments of EUR -2.5 million, (ii) dividends from Residential sub-fund of Endurance Fund EUR +0.5 million, (iii) loss on disposal of project Slezská, Ostrava, EUR -1.0 million.

5 Consolidated balance sheet

Compared to year-end 2014, the amount of total assets increased from EUR 374.1 million to EUR 386.8 million as at end of March 2015.

[1] The adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortization, impairments and provisions – 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.

Assets	31 March 2015	31 December 2014
NON-CURRENT ASSETS	**364,829**	**344,630**
Investment property	255,313	249,236
Property, plant and equipment	1,016	1,030
Non-current financial assets	108,476	94,326
Other non-current assets	24	38
CURRENT ASSETS	**21,956**	**29,484**
Inventories	9,231	9,422
Trade receivables	3,461	2,362
Cash and cash equivalents	4,888	7,103
Other current assets	4,377	10,597
TOTAL	**386,785**	**374,114**

Equity and liabilities	31 March 2015	31 December 2014
EQUITY	**216,297**	**206,016**
Equity attributable to owners of the Company	215,793	205,510
Non-controlling interests	504	506
LIABILITIES	**170,488**	**168,099**
Non-current liabilities	**137,949**	**138,795**
Bonds and financial debts	125,339	127,489
Other long term liabilities	12,610	11,306
Current liabilities	**32,539**	**29,304**
Current bonds and financial debts	17,334	13,836
Other current liabilities	15,205	15,468
TOTAL	**386,785**	**374,115**

Investment property increased due to acquisition of Grunt HZ – EUR 5.7 million and new project Březinka – EUR 0.5 million.

The line Non-current financial assets consists mainly of investment in CPI PROPERTY GROUP shares of EUR 98.8 million. The positive variation is resulting from the shares revaluation in the amount of EUR 14.5 million.

Current financial debts of the Company increased mainly as a result of extended loan provided by CPI PROPERTY GROUP (EUR 2.7 million) and the loans with maturities of up to one year.

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