Orco Property Group

Property / Luxemburg

Document generated on the 10/10/2012

After restructuring, rosier days can be expected

Buy	Upside potential : 81.5 %
Target Price (6 months)	4.25
Share Price	€ 2.34
Market Capitalisation €M	252
Price Momentum	**GOOD**
Extremes 12Months	1.54 ▶ 4.85

KEY DATA	12/10A	12/11A	12/12E	12/13E	12/14E
Adjusted P/E (x)	**-1.68**	**-2.01**	**-33.0**	**ns**	**19.5**
Dividend yield (%)	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
EV/EBITDA(R) (x)	43.9	43.8	21.1	19.7	16.7
Adjusted EPS (€)	**-4.00**	**-3.51**	**-0.07**	**0.04**	**0.12**
Growth in EPS (%)					*181*
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€M)	315	158	306	233	249
EBITDA/R margin (%)	*9.29*	*18.0*	*16.5*	*21.9*	*23.0*
Attributable net profit (€M)	233	-53.3	-343	21.8	31.0
ROE (after tax) (%)	**130**	**-19.2**	**-95.5**	**4.69**	**6.38**
Gearing (%)	*445*	*437*	*216*	*170*	*152*

Last forecasts updated on the 05/10/2012

Benchmarks		Values (€)	Upside	Weight
DCF		6.79	190 %	35 %
NAV/SOTP per share		5.32	127 %	20 %
EV/Ebitda	*Peers*	2.30	-2 %	20 %
P/E	*Peers*	1.17	-50 %	10 %
Dividend Yield	*Peers*	0.00	-100 %	10 %
P/Book	*Peers*	4.57	95 %	5 %
TARGET PRICE		4.25	81 %	100 %

Conflicts of interest

Corporate broking	NO
Trading in corporate shares	NO
Analyst ownership	NO
Advising of corporate (strategy, marketing, debt, etc)	NO
Research paid for by corporate	YES
Provision of corporate access paid for by corporate	NO
Link between AlphaValue and a banking entity	NO
Brokerage activity at AlphaValue	NO

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Updates

04/10/2012 **A new start after the clean up**

Latest

Fact

Once again the last few days have packed in a lot of news. On the positive side, with the announcement of the closing of the voluntary exchange offer for the c.€77.7m that remained both in OPG Safeguard bond liability and in OG bonds, the group's bond restructuring (launched at the very end of the 2011) is now complete. On the negative side, an article in the French newspaper Agefi, released on 1 October, suggested that the AMF (French Market Authority) is contemplating financial blame regarding misinformation (involving both the group and Jean-François Ott) and insider trading (involving Aleš Vobruba). The facts occurred in H2 08.

Analysis

Following the successful equitisation of c.90% of OPG bonds and c.85% of OG bonds (the last step was completed on 28 September) into new OPG shares (the new number of OPG shares is now 107.8m shares vs. 17.1m before the beginning of the process), 94% of the remaining c.€77.7m in both OPG Safeguard bond liability and in OG bonds were exchanged (at the bondholders' choice) into new OPG notes. So that only €4m in OPG bonds remain in the Safeguard plan and pretty much nothing in OG's bond debt.

Regarding the H2 08 misinformation charge, according to the article from French Agefi, Orco Property Group and Jean-François Ott (Founder and Chairman) could be blamed for inaccurate information in Orco's financial statements. Separately, Aleš Vobruba (Managing Director of Orco Czech Republic and Orco Slovakia) could be charged for insider trading. Finally the sanctions should be limited in amount. Note that neither the AMF or the group have to date commented on this information.

Impact

Hopefully these announcements will mark a new start, although there remains significant challenges such as the sale of the Sky Office in Düsseldorf (impaired by €10m over H1 12) and the GSG €286m loan refinancing (which should be settled by end 2012/early 2013). The completion of these steps would unlock the value of the stock as the full cost of the bond restructuring has already been integrated into our valuation.

Updates

04/09/2012 On a knife edge

Earnings/sales releases

Fact

On the back of the significant restructuring of bonds (now nearly successful as there is no longer any material risk on the last remaining steps of its implementation after the CSSF approvals regarding the 64.6m new OPG share and new OPG note issues), OPG has announced some news in its H1 12 results release which allows a brief breath.

In fact the terrible sword of Damocles (the GSG €286m loan refinancing) should be settled (on 28 August, a term sheet was signed with a group of German banks for €270m) by end 2012/early 2013 after several standstill agreements deferring the repayment until 31 August. This new term sheet leads us to expect a new standstill agreement lasting to the end of 2012 and avoiding selling some assets on the cheap. In fact, assets such as Sky Office in Dusseldörf (impaired by €10m) suffer from this pressure.

Operationally speaking, property investment revenue grew by 5% vs. H1 11 (pulled by both the rental and hospitality businesses) and its EBITDA margin was improved substantially from 29.4% last year to 43.2% (thanks to higher occupancy at 77% and continuing cost control). On the development side, the trend is downward-oriented (revenue down by 28%, still negative EBITDA margin) due to fewer assets to be sold.

Analysis

The GSG refinancing term sheet is still a last minute announcement (hopefully it is a solid one) which removes a bit of pressure, notably to dispose of Sky Office under good conditions (still scheduled for end 2012). GSG has a key portfolio and its going concern status is a priority.

The LTV post restructuring at 54.6% (closer to its peers' level) vs. 70.1% last December shows that the refinancing challenges were well tackled during the year (this is now a question of time). And the de-risking allows the group to focus on the completion and implementation of new development projects (in Warsaw, Zlota 44 delivery is planned during summer 2013; Mezihori, in Prague, has a successful start...). The new projects are easier to be sold than those in the inventory.

Impact

For more than 1 month, OPG's share price has been twirling around €2 and the financial burden is still a millstone around the group's neck: the interest cover is still below one and the management computes that the consolidated interest cover should be 100% by the end of 2013, although there might be local coverage issues left as consolidated accounts cannot properly track remaining fund flow mismatches. Nevertheless, the good deliveries of the ongoing development projects could change our first assumptions by providing cash. Both the balance sheet management (unfortunately painful for existing shareholders but the only way to survive) and the operational results (substantial increase of the EBITDA margin and the relative stability of the portfolio's gross asset value at €1.513bn) strengthen our confidence of a significant upside (and a clearer visibility on the European environment could support it!). Once again this is not for the faint-hearted.

04/09/2012 Upside confirmed

Change in EPS

Change in EPS	2012 : € -0.07 vs -0.07	ns
	2013 : € 0.04 vs -0.02	ns

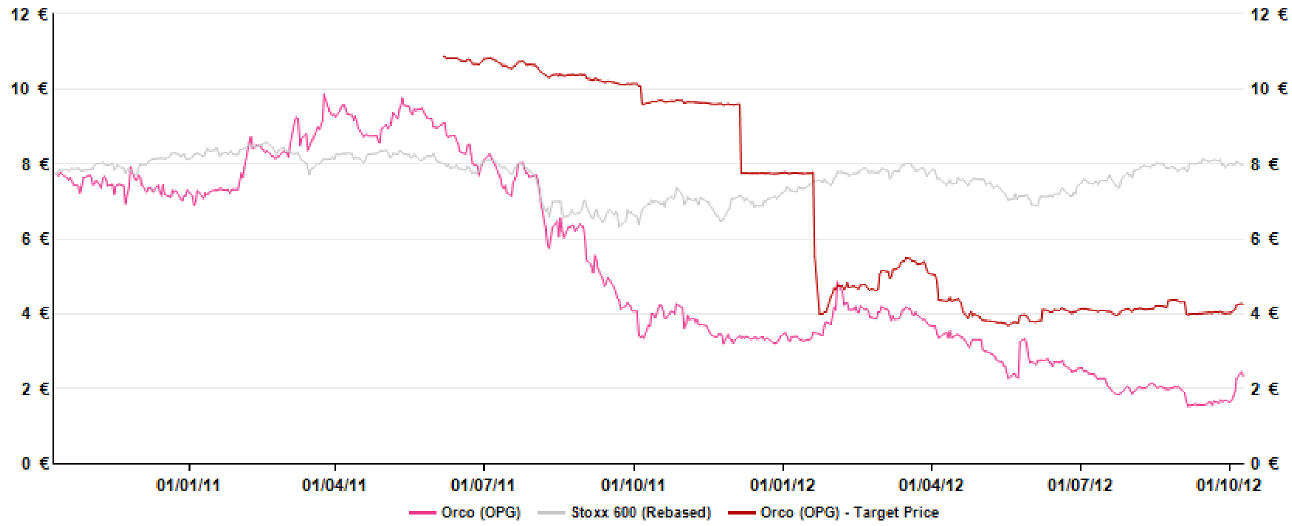
Despite still ongoing financing challenges (GSG refinancing (€286m) is not totally completed and the maturity of the Sky Office funding (€95m) is now October 2012), the H1 12 result release showed that the group is looking beyond its financial pressures. The expected dramatic decrease in financial charges (resulting from the equitisation/ debt restructuring process) and the significant improvement in margins (through the decrease in overhead expenses and new development projects) allow us to be more positive after the results.

Orco (OPG) (Buy)

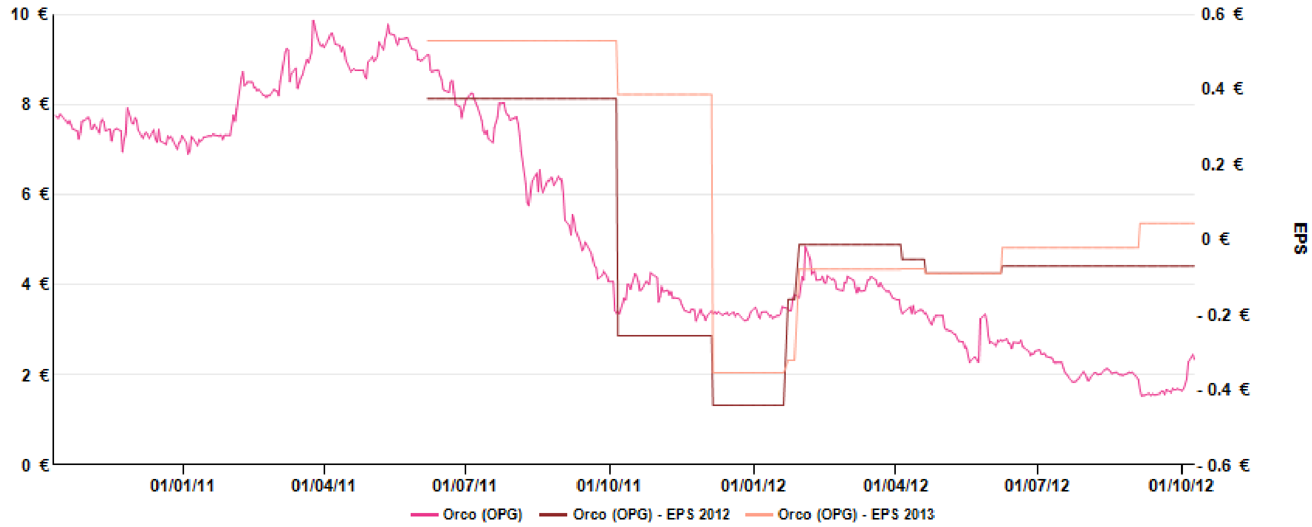
Property Operations - Devlp / Luxemburg

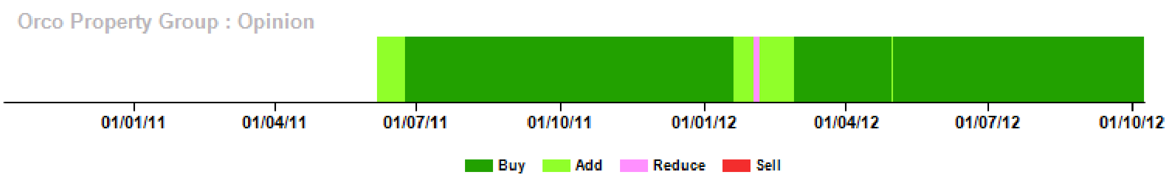
Target Price & Opinion

Stock Price and Target Price



Earnings Per Share & Opinion





Businesses & Trends

A pioneer in his field, Jean-François Ott created ORCO to renovate its first office building in Prague, Czech Republic, in 1991. Orco Property Group ("OPG") embarked on fast-paced acquisitions in the Central and Eastern European property markets from 2000 onwards: Hungary (2000), Poland (2003), Slovakia (2004), Germany ("Orco Germany"), Croatia, Serbia and Russia (2005), Slovenia, Bosnia and Herzegovina (2007). OPG made an IPO on the Paris Second Market in 2000 and obtained secondary listings on the Prague (2005), Budapest (delisting in 2011) and Warsaw stock exchanges (2007), while Orco Germany is listed in Frankfurt. Between 2000 and 2007, OPG raised €430m of equity on these various stock markets. Its business strategy relied on selling mature properties to reinvest in emerging property developments, which had faltered against the wall of the financial tsunami that devastated all leveraged-based business models built at the peak of the property bubble. OPG acts as a residential developer (mainly in Warsaw, Prague, Bratislava), office refurbisher and owner (mainly in Berlin, Düsseldorf, Prague, Budapest), hotel developer and operator (MaMaison Hotels & Apartments in Moscow, Prague, Budapest and Warsaw, and Suncani Hvar hotels in Croatia), regional niche retail player (VACI 1 in Budapest) and the owner of a large land bank (mainly in Prague/Bubny, Poland, Germany and Croatia).

Divisional Breakdown Of Revenues

	Sector	12/11A	12/12E	12/13E	12/14E	Change 12E/11 €M	Change 12E/11 of % total	Change 13E/12E €M	Change 13E/12E of % total
Property development	Property Operations - Devlp	47.4	190 (1)	114	125	143 ↑	96 %	-76 ↓	104 %
Property investment and man...	Property Mgt & Services	110 (2)	115	119	124	5 ↑	3 %	4 ↑	-5 %
Other		0.00	0.00	0.00	0.00	0 ↑	0 %	0 ↑	0 %
Total sales		**158** (3)	**306** (4)	**233**	**249**	**148** ↑	**100 %**	**-73** ↓	**100 %**

1. Including the sale of the Sky Office building in Düsseldorf (€127.8m market value on 30 June 2012, and target sale price of €145-155m indicated in the Q1 11 quarterly report).
2. Impacted by the sale of the Molcom logistics platforms in Russia in H1 11, earlier than the FY13 disposal planned in the Safeguard Plan of May 2010. The 2010 pro-forma figure was €111.6m.
3. Strong decrease in the total revenue in 2011 due to the absence of sales of commercial properties.
4. Over 2012, the group expects to achieve revenues between €160m and €180m excluding the potential sale of the Sky Office building in D, usseldorf (valued at €127.8m in June 2012).

Key exposures

	Revenues	Costs	Equity
Dollar	0.0 %	0.0 %	0.0 %
Emerging currencies	48.0 %	59.0 %	47.0 %
Long-term interest rates	100.0 %	0.0 %	0.0 %

Sales by geography

Czech Republic	33.0 %
Germany	46.0 %
Russia	1.0 %
Poland	8.0 %
Croatia	10.0 %
Hungary	2.0 %
Slovakia	2.0 %
Luxemburg	8.0 %

We address exposures (eg. how much of the turnover is exposed to the $) rather than sensitivities (say, how much a 5% move in the $ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.
Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in $ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling
In addition, subjects are frequently intertwined. A $ exposure may encompass all revenues in $ pegged currencies and an emerging currency exposure is likely to include $ pegged currencies as well.
Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

Businesses & Trends

Money Making

Over the FY06-08 period, revenue grew from €173m to €300m, with property investment accounting for 83% of the €127m increase and representing a share (€165m) of total revenues similar to property development (€157m). While property investment EBITDA quadrupled to c.€40m, property development EBITDA increased its losses to -€22m. On a consolidated basis, EBITDA turned around from a negative €10m into a positive €14m. With the crisis hitting in Q4 08, FY09 registered a decline in revenues to €252m, translating into a drop in consolidated EBITDA to €10m, culminating in significant net losses (€391m in FY08 and €251m in FY09) and a filing under the French equivalent of a Chapter XI in March 2009. FY10 saw a recovery in revenues to €315m, paralleled by EBITDA moving up to €29m. Besides, the €270m exceptional gain generated in May 2010 through the implementation of a 10-year "Safeguard Plan" should be amortised as a one-off loss in 2012 in the framework of the OPG bonds equitisation.

Over FY11, the company completed several sales of mature assets and non-core activities, such as the Leipziger Platz in Berlin for €119m in January 2011 (€89m in three installments, plus €30m after the completion of the project expected in 2014) and its Molcom Logistics activities (plus the residential projects, the offices and land plots) in Russia in October 2011 (€53m, of which €13.2m payable by FY11 with the balance to be paid during FY12, and a contingent earnout of 20% of future sales proceeds). Even though the Russian disposal closed after 30 June 2011, these operations were excluded from the Q2 11 figures, explaining the decrease in the property investment division revenue in FY11 to €110.2m from €131.8m. The property development division's revenues decreased substantially to €47.4m over the same period from €182.9m in 2010 as the number of units delivered in residential sales contracted by 38% (the decrease from the residential revenue is amplified by the repositioning away from a mass market to more selective assets) and commercial sales dropped from €129.8m to €10.1m (delay in the sale of the Sky Office). Mechanically, as the development division's revenue is lower, the group EBITDA margin increased significantly while the investment division's EBITDA margin remained quite stable between 2010 and 2011. Finally, the operating result at €40.4m remained quite stable (on a pro-forma basis, i.e. excluding the impact of the now disposed of Russian activities) helped by a €10.6m gain on asset disposals (vs. €1.1m in 2010).

FY11 revenues were highly dependent upon the contingent sale of the Sky Office building in Düsseldorf which had a market value of €127.8m at June 2012 and a target sale price of €145-155m. This disposal is now expected before the end of 2012 (the €95m Sky Office financing was extended until October 2012). Moreover the equitisation of the bonds will decrease substantially the interest charge leading to an expectation of a 100% interest cover by the EBITDA by end 2013.

Divisional EBITDA/R

	12/11A	12/12E	12/13E	12/14E	Change 12E/11		Change 13E/12E	
					€M	of % total	€M	of % total
Property development	-5.20	9.51	5.68	8.74	15↑	67 %	-4↓	-638 %
Property investment and management	35.5	48.5	50.0	53.4	13↑	59 %	2↑	250 %
Other/cancellations	-1.92	-7.64	-4.65	-4.98	-6↓	-26 %	3↑	498 %
Total	28.4	50.4	51.0	57.2	22↑	100 %	1↑	100 %

Divisional EBITDA/R margin

	12/11A	12/12E	12/13E	12/14E
Property development	-11.0 %	5.00 %	5.00 %	7.00 %
Property investment and management	32.3 %	42.0 %	42.0 %	43.0 %
Total	18.0 %	16.5 %	21.9 %	23.0 %

Debt

Debt

The property sector has been unwisely built on the assumption of permanent debt with loan-to-value covenants as safeguards for bankers. However, debt has never been repaid with a LTV ratio, but only through recurring free cash flows. According to AlphaValue's funding/liquidity analysis table, and with hindsight, serious debt coverage and solvency problems were looming as early as FY06. OPG defaulted on its debt and placed itself under the French equivalent of a Chapter 11 on 25 March 2009, until it could arrange a debt restructuring which was imposed on OPG bondholders by the "Paris Tribunal de Commerce" through a "Safeguard Plan" on 19 May 2010. As a result of the Safeguard Plan, the €406m nominal value of the OPG bonds was marked down to €136m, the difference being recognised as a one-time (non cash) gain in H1 10, which will be clawed back (amortised) in future P&Ls. But, in late 2011/early 2012, the group was likely to face major refinancing issues and therefore it contemplated equitisation to solve them.

In April 2012, OPG's management, OG bondholders and OPG bondholders signed a "joint agreement" that led to the conversion of c.90% of OPG bonds and c.85% of OG bonds into OPG shares (leading to the total number of shares rising from 17.1m to a maximum 107.8m). 94% of the remaining bonds has been exchanged, at bondholders' choices, for new OPG bonds (leading to the issuance of €73.1m new OPG bonds) so that only €4m of OPG bonds remain in the Safeguard Plan and pretty much nothing in OG's bond debt. Both equitisations (OG and OPG bonds) were substantially linked: the full conversion of OG bonds was conditional on a de-gearing of OPG itself (OG bondholders require a lower risky profile for OPG). The "Safeguard Plan" remains active as other creditors accounting for €18.6m (and the remaining OPG bondholders) who do not accept the "OPG new notes" exchanges stay under this scheme.

This restructuring process is now complete and the full cost of the bond restructuring has been integrated into our model. Finally, this massive and expensive dilution for existing shareholders is the price to pay for reducing debt. However, OPG's refinancing challenges are far from resolved (the OG GSG refinancing of €286m was postponed until end-2012) even if the OPG and OG bond conversion should facilitate future loan refinancing by reassuring lenders.

Note that the group's auditor has stated there are "material uncertainties that may cast significant doubt about the group's ability to continue as a going concern".

Funding - Liquidity

		12/11A	12/12E	12/13E	12/14E
EBITDA	€M	28.4	49.5	51.2	57.3
Funds from operations (FFO)	€M	-23.9	-349	1.50	9.55
Ordinary shareholders' equity	**€M**	**263**	**456**	**473**	**499**
Gross debt	€M	1,159	914	833	771
o/w Less than 1 year - Gross debt	€M	757 (5)	71.3	72.4	251
o/w 1 to 5 year - Gross debt	€M	288	824	761	520
of which Y+2	€M	71.3	72.4	251	170
o/w Beyond 5 years - Gross debt	€M	114	18.3	0.00	0.00
+ Gross Cash	€M	11.8	90.9	48.5	37.4
= Net debt / (cash)	**€M**	**1,147**	**823**	**785**	**734**
Bank borrowings	€M	860 (5)	836	756	693
Issued bonds	€M	283 (6)	77.7 (7)	77.7 (7)	77.7 (7)
Financial leases liabilities	€M	0.00	0.00	0.00	0.00
Mortgages	€M	0.00	0.00	0.00	0.00
Other financing	€M	15.9 (8)	0.00	0.00	0.00
of which commercial paper	€M	0.00	0.00	0.00	0.00
Undrawn committed financing facilities	€M	42.4			
Gearing (at book value)	%	437	216	170	152
Adj. Net debt/EBITDA(R)	*x*	*40.4*	*16.6*	*15.3*	*12.8*
Adjusted Gross Debt/EBITDA(R)	*x*	*41.3*	*18.8*	*16.6*	*13.7*

5. Includes €163.3m in loans in breach of covenants (o/w €65.3m in long-term loans reclassified as short-term loans due to the covenant breaches).
6. Restructured bonds under the Safeguard Plan.
7. 94% of the c.€77.7m that remained in both the OPG Safeguard bond liability and in OG bonds was exchanged into €73.1m of new OPG notes following the equitisation of the OG and OPG bonds.
8. Liabilities linked to assets held for sale.

Debt

Interest cover (x)	*x*	*0.20*	*0.12*	*1.04*	*1.25*
FFO/Net debt	*%*	*-2.08*	*-42.4*	*0.19*	*1.30*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*-0.01*	*-2.91*	*0.92*	*0.35*
"Cash" FCF/ST debt	*x*	*-0.03*	*-4.17*	*0.25*	*0.20*

Valuation

The equitisation of 90% of OPG bonds and 85% of OG bonds (94% of the balance has been exchanged into new OPG notes accounting for €73.1m at bondholders' choices; only €4m in OPG bonds remain in the Safeguard Plan and pretty much nothing in OG's bond debt) will bring more space to management. This means avoiding having to sell assets on the cheap to meet the refinancing requirements and allowing OPG to manage its assets in a profitable way whilst under the threat of a credit event. The crucial businesses are currently residential developments in Prague (Mezihori) and Warsaw (Zlota 44), mixed commercial assets in Prague (Bubny in collaboration with Unibail-Rodamco) and the property investment activities in Berlin (through GSG), Prague, Budapest and Warsaw.

The peer multiples provide weak valuations due to the turnaround status of OPG. The NAV is more optimistic as long as one has faith in property fair values given by independent experts (DTZ). The DCF, the main valuation driver, is a sensitive valuation metric due to the tricky forecasts in a stretched economic context and high debt spread impacting on our WACC. OPG remains a bet on CEER property recovery: not for the faint-hearted!

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		6.79	190 %	35 %
NAV/SOTP per share		5.32	127 %	20 %
EV/Ebitda	*Peers*	2.30	-2 %	20 %
P/E	*Peers*	1.17	-50 %	10 %
Dividend Yield	*Peers*	0.00	-100 %	10 %
P/Book	*Peers*	4.57	95 %	5 %
Target Price		**4.25**	**81 %**	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	13.5	18.0	1.05	6.04
Orco Property Group's ratios	ns	19.9	0.54	0.00
Premium	0.00 %	10.0 %	0.00 %	0.00 %
Default comparison based valuation (€)	**1.17**	**2.30**	**4.57**	**0.00**
Unibail-Rodamco	16.4	21.6	1.19	5.31
Klépierre	13.0	19.4	2.80	5.54
Foncière des Régions	10.0	16.5	0.72	7.45
Icade	14.5	17.0	1.34	6.00
Corio	12.3	15.4	0.76	8.26
Immofinanz	9.77	16.2	0.50	6.18
Silic	13.3	18.2	3.16	5.82
Nexity	10.3	4.93	0.71	9.17
Ivg Immobilien	45.6	17.3	0.47	0.45

DCF

DCF Valuation Per Share

WACC	%	8.41	Avg net debt (cash) at book value	€M	804
PV of cashflow FY1-FY11	€M	633	Provisions	€M	14.7
FY11CF	€M	125	Unrecognised actuarial losses (gains)	€M	0.67
Normalised long-term growth"g"	%	2.00	Financial assets at market price	€M	46.8
Terminal value	€M	1,953	Minorities interests (fair value)	€M	1.00
PV terminal value	€M	871	Equity value	€M	730
PV terminal value in % of total value	*%*	*57.9*	Number of shares	Mio	108
Total PV	€M	1,504	Implied equity value per share	€	6.79

Assessing The Cost Of Capital

Synthetic default risk free rate	%	4.00	Company debt spread	bp	600
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	10.0
Tax advantage of debt finance (normalised)	%	30.0	**Company beta (leveraged)**	**x**	**1.60**
Average debt maturity	Year	5	Company gearing at market value	%	327
Sector asset beta	x	0.58	Company market gearing	%	76.6
Debt beta	x	1.20	**Required return on geared equity**	**%**	**12.0**
Market capitalisation	€M	252	Cost of debt	%	7.00
Net debt (cash) at book value	€M	823	**Cost of ungeared equity**	**%**	**6.88**
Net debt (cash) at market value	€M	641	WACC	%	8.41

DCF Calculation

		12/11A	12/12E	12/13E	12/14E	Growth	12/15E	12/22E
Sales	€M	158	306	233	249	**4.00 %**	259	341
EBITDA	€M	28.4	49.5	51.2	57.3	**4.50 %**	59.9	81.5
EBITDA Margin	*%*	*18.0*	*16.2*	*22.0*	*23.0*		*23.1*	*23.9*
Change in WCR	€M	13.0	96.1	79.4	90.6	**4.00 %**	94.2	124
Total operating cash flows (pre tax)	€M	45.8	146	131	148		154	205
Corporate tax	€M	-5.47	-1.72	-4.00	-5.00	**4.00 %**	-5.20	-6.84
Net tax shield	**€M**	**-26.1**	**-119**	**-13.8**	**-12.9**	**4.00 %**	**-13.5**	**-17.7**
Capital expenditure	€M	-14.2	-44.8	-62.7	-48.9	**4.00 %**	-50.9	-66.9
Capex/Sales	*%*	*-8.98*	*-14.7*	*-27.0*	*-19.6*		*-19.6*	*-19.6*
Pre financing costs FCF (for DCF purposes)	€M	0.08	-20.0	50.0	81.0		84.6	114
Various add backs (incl. R&D, etc.) for DCF purposes	€M	12.4 [9]	10.7 [9]	6.98 [9]	7.47 [9]		7.62 [9]	8.76 [9]
Free cash flow adjusted	**€M**	**12.5**	**-9.31**	**57.0**	**88.5**		**92.2**	**123**
Discounted free cash flows	**€M**	**12.5**	**-9.31**	**52.5**	**75.3**		**72.3**	**54.7**
Invested capital	€	1,422	1,350	1,327	1,300		1,359	1,854

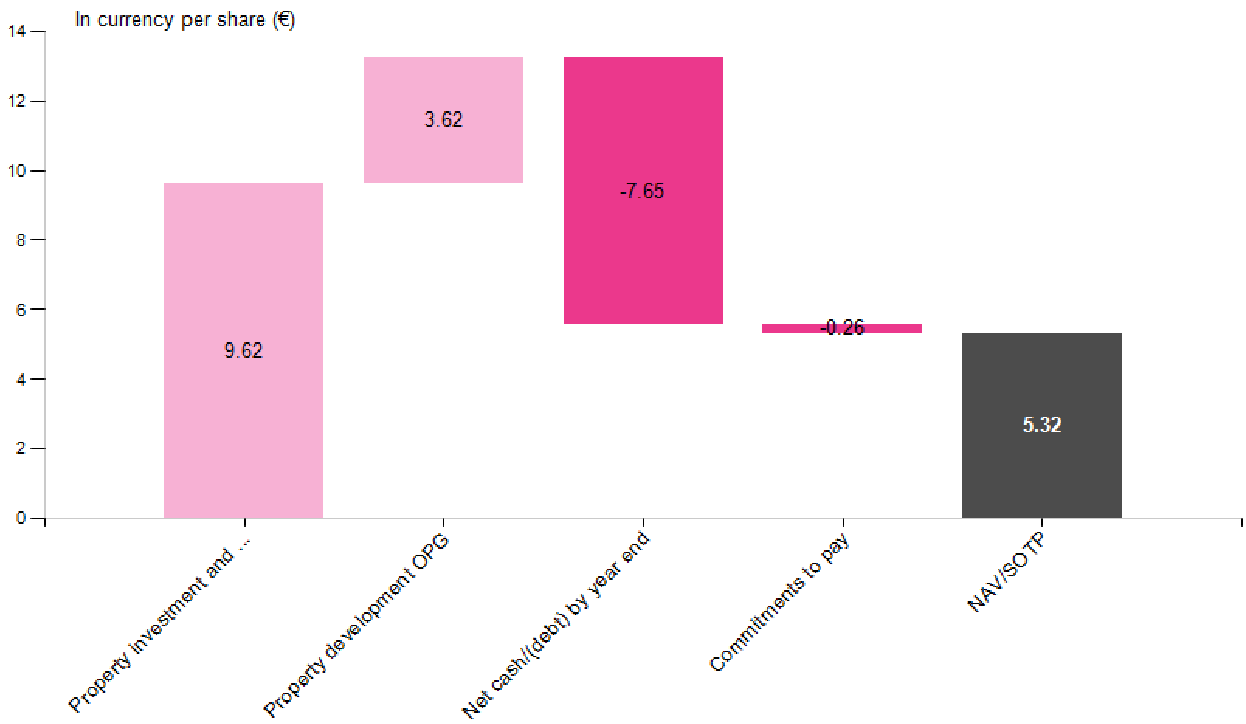
9. Other income and expenses (of which net result on disposal of assets).

NAV/SOTP (edit)

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€M)	Stake valuation (€M)	In currency per share (€)	% of gross assets
Property investment...	100 %	GAV		1,034	1,034 [1]	9.62	72.7 %
Property developmen...	100 %	GAV		389	389 [2]	3.62	27.3 %
Other							
Total gross assets					**1,423**	**13.2**	**100 %**
Net cash/(debt) by year end					-823	-7.65	-57.8 %
Commitments to pay					-28.3 [3]	-0.26	-1.99 %
Commitments received							
NAV/SOTP					572	5.32	40.2 %
Number of shares net of treasury shares - year end (Mio)					**108**		
NAV/SOTP per share (€)					**5.32**		
Current discount to NAV/SOTP (%)					**56.0**		

1. Gross asset value on 30 June 2012.
2. Gross asset value on 30 June 2012 MINUS the value of the Sky Office building which is expected to be sold by end 2012.
3. Provisions for pensions, provisions for risks and liabilities, minority interests and liabilities on assets held for sale.



Worth Knowing

At the inception of the Safeguard Plan, in addition to the €614m maximum cumulative value in bonds, OPG owed €863m in contingent liabilities (€710m in guarantees given in support of certain commitments made by its operating subsidiaries, which should diminish if the subsidiaries respect their commitments, and €152m in intra-group debts with maturities beyond FY20). All bank debts are located at the level of the 180+ local subsidiaries and affiliates where they directly finance development and/or investment properties. In December 2011, the €860m bank debt was split 23% for land bank and 81% for development and investment income producing assets. Once the de-gearing is completed through the OG and OPG bond conversion, we can expect a reduction in the risk premium, providing a more reassuring risk background to refinance the coming maturing loan (e.g. the €286m GSG loan).

OPG's management was distracted by management turmoil, stock warrant controversies, shareholder activists and refinancing issues in FY09-11. After the completion of the equitisation in 2012, more than 50% of shareholders will be former bondholders and some could be long-term partners as a few have joined the board of directors. Also, following a exchange with MSREI (Morgan Stanley Real Estate Investment) in August 2011 and the equitisation of Orco Germany bonds, OPG has increased its shareholding in OG from 58.4% to 91.4% and in the two sub-funds of Endurance Real Estate Fund as follows: from 5.8% to 14.8% in the Residential Sub-fund and from 16.2% to 27.0% in the Office I Sub-fund.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Kingstown Capital Management LP	11.8 %	11.9 %	0.00 %
Alchemy Special Opportunities LLP	9.91 %	10.0 %	0.00 %
UBS AG London	6.34 %	6.40 %	0.00 %
Maple Leaf Macro Volatility Master Fund	3.28 %	3.31 %	0.00 %
MTone Ltd	3.22 %	3.25 %	0.00 %
August Finance Fund SPC	2.14 %	2.16 %	0.00 %
MSREF V Turtle B.V.	1.85 %	1.87 %	0.00 %
Credit Suisse Securities (Europe) Ltd	1.38 %	1.39 %	0.00 %
Jardenne Corporation SARL	1.18 %	1.19 %	0.00 %
Brennus Fund Limited	1.18 %	1.20 %	0.00 %
Landsowne Capital S.A.	0.93 %	0.94 %	0.00 %
Treasury shares Orco Property Group	0.93 %	0.00 %	0.00 %
ING Towarzystwo Funduszy Inwestycyjnych S.A.	0.76 %	0.77 %	0.00 %
AXA Investment Managers	0.69 %	0.70 %	0.00 %
Finance Consulting S.A.	0.28 %	0.28 %	0.00 %
Finplat S.A.	0.28 %	0.28 %	0.00 %
Ott & Co SA	0.23 %	0.23 %	0.00 %
Mr. Silvano Pedretti	0.10 %	0.11 %	0.00 %
Courcelette Holdings LLC	0.04 %	0.04 %	0.00 %
Joho Compagnie	0.04 %	0.04 %	0.00 %
Alandia Investments	0.02 %	0.02 %	0.00 %
Apparent free float			**53.4 %**

Financials

Consolidated P&L

		12/11A	12/12E	12/13E	12/14E
Sales	€M	158 [3]	306 [4]	233	249
Sales growth	%	*-49.9*	*94.0*	*-23.9*	*7.12*
Sales per employee	€th	*101* [10]	*295*	*236*	*260*
Office space for rent		152	130	150	150
Commercial space for rent		815	820	820	820
Warehousing space for rent		111	100	100	100
Under development		382 [11]	280	240	240
Purchases and external costs (incl. IT)	€M	-99.6	-229	-156	-167
Staff costs	€M	-29.6 [10]	-26.9	-25.6	-24.9
Operating lease payments	€M				
Cost of sales/COGS (indicative)	€M	-35.3	-162	-97.7	-109
EBITDA	€M	28.4	49.5	51.2	57.3
EBITDA(R) margin	%	*18.0*	*16.2*	*22.0*	*23.0*
EBITDA(R) per employee	€th	*18.3* [10]	*47.8*	*52.0*	*59.8*
Depreciation	€M	-3.11	-3.06	-3.49	-3.74
Depreciations/Sales	%	*1.98*	*1.00*	*1.50*	*1.50*
Amortisation	€M	0.00	0.00	0.00	0.00
Additions to provisions	€M	-7.61	0.00	0.00	0.00
Reduction of provisions	€M		0.00	0.00	0.00
Underlying operating profit	€M	17.7	46.5	47.7	53.6
Underlying operating margin	%	*11.2*	*15.2*	*20.5*	*21.5*
Other income/expense (cash)	€M	12.4 [12]	10.7	6.98	7.47
Other inc./ exp. (non cash; incl. assets revaluation)	€M	19.6	10.3 [13]	26.3 [13]	27.7 [13]
Earnings from joint venture(s)	€M				
Impairment charges/goodwill amortisation	€M	-9.74 [14]	-8.90	-9.10	-9.59
Operating profit (EBIT)	€M	39.9	58.6	71.9	79.2
Interest expenses	€M	-82.7	-61.5 [15]	-49.4	-46.3
of which effectively paid cash interest expenses	€M	*-51.2*	*-61.5*	*-49.4*	*-46.3*
Financial income	€M	4.08	4.59	3.29	3.14
Other financial income (expense)	€M	-8.47	-340 [16]	0.00	0.00
Net financial expenses	€M	-87.1	-397	-46.1	-43.2
of which related to pensions	€M		*-0.36*	*-0.42*	*-0.42*
Pre-tax profit before exceptional items	€M	-47.1	-339	25.8	36.0
Exceptional items and other (before taxes)	€M	0.00	0.00	0.00	0.00
of which cash (cost) from exceptionals	€M				
Current tax	€M	-2.67	-1.72	-4.00	-5.00
Impact of tax loss carry forward	€M				
Deferred tax	€M	-2.80	0.00	0.00	0.00
Corporate tax	€M	-5.47	-1.72	-4.00	-5.00
Tax rate	%	*-14.6*	*-0.52*	*11.5*	*11.0*
Net margin	%	*-33.4*	*-111*	*9.36*	*12.4*
Equity associates	€M	0.00	0.00	0.00	0.00
Actual dividends received from equity holdings	€M	*0.89*	*0.00*	*0.00*	*0.00*
Minority interests	€M	-1.80	-2.96	0.01	0.01
Actual dividends paid out to minorities	€M	*0.00*	*0.00*	*0.00*	*0.01*
Income from discontinued operations	€M	1.11	0.00	0.00	0.00
Attributable net profit	€M	-53.3	-343	21.8	31.0
Impairment charges/goodwill amortisation	€M	9.74	8.90	9.10	9.59
Other adjustments	€M	-11.1 [17]	330 [18]	-26.3 [17]	-27.7 [17]
Adjusted attributable net profit	€M	-54.6	-4.40	4.58	12.9
Interest expense savings	€M	0.00	0.00	0.00	0.00
Fully diluted adjusted attr. net profit	€M	-54.6	-4.40	4.58	12.9
NOPAT	€M	26.1	40.0	52.1	57.2

3. Strong decrease in the total revenue in 2011 due to the absence of sales of commercial properties.
4. Over 2012, the group expects to achieve revenues between €160m and €180m excluding the potential sale of the Sky Office building in D , usseldorf (valued at €127.8m in June 2012).
10. Impact of the disposal of the Molcom logistics activities in Russia in H1 11 (representing 42% of total staff in FY10), and further asset disposals planned for FY12 (hotels MaMaison and Suncani Hvar in Croatia).
11. Including the residential development projects under construction (48,466sqm, of which Zlota 44 (37,903sqm)) and the commercial ongoing projects (295,879sqm of which Bubny (24ha)).
12. Inclusive of €11.1m in net result on disposal of assets in H1 11.
13. We account for the asset revaluation with a clip of 1% in FY12, 2.5% in FY13, 2.5% in FY14 (compared to an actual 1.7% in FY11).
14. Includes impairments on investment properties.
15. Over the FY2011, bond interest amounted to €38.1m compared to a post-restructuring bond interest amount of €6.8m or a reduction of €31.3m.
16. Non cash one off loss regarding the difference resulting from a lower book value of the bonds than the value of the consideration given to OPG bondholders as repayment (OPG bonds conversion).
17. Profit/loss from fair value adjustments.
18. Profit/loss from fair value adjustments, plus difference resulting from a lower book value of the bonds than the value of the consideration given to bondholders as repayment recognized as a one off loss.

Financials

Valuation Key Data

		12/11A	12/12E	12/13E	12/14E
Adjusted P/E	**x**	**-2.01**	**-33.0**	**ns**	**19.5**
Reported P/E	x	-2.22	-0.73	11.6	8.11
EV/EBITDA(R)	**x**	**43.8**	**21.1**	**19.7**	**16.7**
P/Book	**x**	**0.45**	**0.55**	**0.53**	**0.50**
Dividend yield	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow yield	*%*	*-51.5*	*-118*	*7.05*	*20.2*
Average stock price	€	7.05	2.34	2.34	2.34

Cashflow Statement

		12/11A	12/12E	12/13E	12/14E
EBITDA	€M	28.4	49.5	51.2	57.3
Change in WCR	€M	13.0	96.1	79.4	90.6
of which (increases)/decr. in receivables	*€M*	*-1.80*	*2.65*	*1.64*	*-0.90*
of which (increases)/decr. in inventories	*€M*	*36.7*	*92.0*	*80.0*	*83.0*
of which increases/(decr.) in payables	*€M*	*-4.65*	*0.38*	*0.45*	*1.22*
of which increases/(decr.) in other curr. liab.	*€M*	*-17.2*	*1.12*	*-2.74*	*7.26*
Actual dividends received from equity holdings	€M	0.89	0.00	0.00	0.00
Paid taxes	€M	-4.45	-1.72	-4.00	-5.00
Exceptional items	€M		0.00	0.00	0.00
Other operating cash flows	€M	2.46 (19)	0.00	0.00	0.00
Total operating cash flows	€M	40.3	144	127	143
Capital expenditure	€M	-14.2	-44.8	-62.7	-48.9
Capex as a % of depreciation & amort.	*%*	*455*	*1,466*	*1,797*	*1,309*
Net investments in shares	€M	0.00	0.00	0.00	0.00
Other investment flows	€M	113 (20)	20.0	19.9	0.00
Total investment flows	€M	98.9	-24.8	-42.8	-48.9
Net interest expense	€M	-87.1	-397	-46.1	-43.2
of which cash interest expense	*€M*	*-51.2*	*-397*	*-45.7*	*-42.7*
Dividends (parent company)	€M	0.00	0.00	0.00	0.00
Dividends to minorities interests	€M	0.00	0.00	0.00	0.01
New shareholders' equity	€M	-4.85	602 (21)	0.00	0.00
of which (acquisition) release of treasury shares	*€M*	*-1.50*	*0.00*	*0.00*	*0.00*
Change in gross debt	€M	-97.2	-245	-80.4	-62.4
Other financial flows	€M		0.00	0.00	0.00
Total financial flows	€M	-153	-40.1	-126	-105
Change in cash position	€M	-14.1	79.0	-42.4	-11.1
Change in net debt position	€M	83.2	325	38.1	51.2
Free cash flow (pre div.)	€M	-60.9	-298	17.7	50.8
Operating cash flow (clean)	€M	40.3	144	127	143
Reinvestment rate (capex/tangible fixed assets)	*%*	*1.28*	*3.94*	*5.19*	*3.81*

19. Calculated from the difference between reported operating cash flows.
20. Leipziger Platz disposal installment, plus Molcom disposal first installment.
21. This amount refers to the debt reduction by equitising 84.5% of €129.1m Orco Germany bonds and 89.9% of €548.5m Orco Property Group bonds.

Financials

Balance Sheet

Balance Sheet		12/11A	12/12E	12/13E	12/14E
Goodwill	€M	39.3	39.3	39.3	39.3
Contracts & Rights (incl. concession) intangible assets	€M	0.00	0.00	0.00	0.00
Other intangible assets	€M	8.48	8.48	8.48	8.48
Total intangible	€M	47.8	47.8	47.8	47.8
Tangible fixed assets	€M	1,029	1,052	1,109	1,172
Financial fixed assets (part of group strategy)	€M	46.8	46.8	46.8	46.8
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Other financial assets (investment purpose mainly)	€M	24.1	4.00	4.00	4.00
of which available for sale	*€M*	*24.1*	*4.00*	*4.00*	*4.00*
WCR	€M	298	202	123	32.4
of which trade & receivables (+)	*€M*	*36.1*	*33.5*	*31.9*	*32.8*
of which inventories (+)	*€M*	*382*	*290*	*210*	*127*
of which payables (+)	*€M*	*16.4*	*16.7*	*17.2*	*18.4*
of which other current liabilities (+)	*€M*	*104*	*105*	*102*	*109*
Other current assets	€M	99.0	46.1	42.1	45.0
of which tax assets (+)	*€M*	*0.00*	*0.84*	*0.64*	*0.68*
Total assets (net of short term liabilities)	€M	1,545	1,399	1,372	1,348
Ordinary shareholders' equity (group share)	€M	263	456	473	499
Quasi Equity & Preferred	€M	0.00	0.00	0.00	0.00
Minority interests	€M	12.0	1.00	1.00	1.00
Provisions for pensions	€M	9.21	9.62	9.60	10.0
Other provisions for risks and liabilities	€M	5.12	5.12	5.12	5.12
Deferred tax liabilities	€M	92.5	92.5	92.5	92.5
Other liabilities	€M	15.9 (8)	12.6	6.37	6.83
Net debt / (cash)	€M	1,147	823	785	734
Total liabilities and shareholders' equity	€M	1,545	1,399	1,372	1,348
Average net debt / (cash)	€M	1,150	985	804	759
Parent company net debt / (cash)	€M	0.00 (22)	0.00	0.00	0.00
Off B/S business guarantees given	€M	156 (23)	141	138	136

8. Liabilities linked to assets held for sale.

22. Information not available as we were not provided with financial statements of the parent company for FY11.

23. As a developer of buildings and residential properties, the group is committed to finalise the construction of properties in different countries: €0.8bn in FY08, €0.6bn in FY09, €0.1bn in FY10 and €0.1bn in FY11.

EV Calculations

EV Calculations		12/11A	12/12E	12/13E	12/14E
EV/EBITDA(R)	**x**	**43.8**	**21.1**	**19.7**	**16.7**
EV/EBIT (underlying profit)	**x**	**70.3**	**22.5**	**21.1**	**17.8**
EV/Sales	**x**	**7.90**	**3.42**	**4.33**	**3.83**
EV/Invested capital	x	0.88	0.77	0.76	0.73
Market cap	€M	118	252	252	252
+ Provisions (including pensions)	€M	14.3	14.7	14.7	15.1
+ Unrecognised actuarial losses/(gains)	€M	-0.42	0.67	0.67	0.67
+ Net debt at year end	€M	1,147	823	785	734
+ Leases debt equivalent	€M	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€M	46.8	46.8	46.8	46.8
+ Minority interests (fair value)	€M	12.0	1.00	1.00	1.00
= Enterprise Value	**€M**	**1,245**	**1,044**	**1,006**	**955**

Financials

Per Share Data		12/11A	12/12E	12/13E	12/14E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**-3.51**	**-0.07**	**0.04**	**0.12**
Growth in EPS	*%*				*181*
Reported EPS	€	-3.18	-3.19	0.20	0.29
Net dividend per share	**€**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow per share	€	-3.83	-4.80	0.16	0.47
Operating cash flow per share	€	2.63	2.32	1.18	1.33
Book value per share	€	15.7	4.24	4.40	4.64
Restated NAV per share	€	16.0 (24)	4.32	4.48	4.73
Number of ordinary shares	**Mio**	**17.1**	**108** (25)	**108**	**108**
Number of equivalent ordinary shares (year end)	Mio	17.1	108	108	108
Number of shares market cap.	Mio	17.1	108	108	108
Treasury stock (year end)	Mio	0.32	0.32	0.32	0.32
Number of shares net of treasury stock (year end)	Mio	16.7	108	108	108
Number of common shares (average)	**Mio**	**15.4**	**62.1**	**108**	**108**
Conversion of debt instruments into equity	Mio	0.00	0.00	0.00	0.00
Settlement of cashable stock options	Mio		0.00	0.00	0.00
Probable settlement of non mature stock options	Mio	0.00	0.00	0.00	0.00
Other commitments to issue new shares	Mio		0.00	0.00	0.00
Increase in shares outstanding (average)	Mio	0.54	0.00	0.00	0.00
Number of diluted shares (average)	**Mio**	**15.9**	**62.1**	**108**	**108**
Goodwill per share (diluted)	€	0.61	0.14	0.08	0.09
EPS after goodwill amortisation (diluted)	€	-4.12	-0.21	-0.04	0.03
EPS before goodwill amortisation (non-diluted)	€	-3.47	-5.53	0.20	0.29
Actual payment	€				
Preferential dividend	€	0.00	0.00	0.00	0.00
Payout ratio	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Capital payout ratio (div +share buy back/net income)	**%**	**-2.75**	**0.00**	**0.00**	

24. Triple NAV (EPRA). The group computed the EPRA triple NAV for the first time in H1 10 and restated FY09 accordingly. This compares with an historic NAV of €8.16 in FY09 (vs. a restated €12.27).

25. Over 2012, the equitisation of the OG and OPG bonds resulted in the issuing of a total of 90,787,096 new OPG shares.

Orco (OPG) (Buy)

Property Operations - Devlp / Luxemburg

Financials

Funding - Liquidity

Funding - Liquidity		12/11A	12/12E	12/13E	12/14E
EBITDA	€M	28.4	49.5	51.2	57.3
Funds from operations (FFO)	€M	-23.9	-349	1.50	9.55
Ordinary shareholders' equity	**€M**	**263**	**456**	**473**	**499**
Gross debt	€M	1,159	914	833	771
o/w Less than 1 year - Gross debt	€M	757 (5)	71.3	72.4	251
o/w 1 to 5 year - Gross debt	€M	288	824	761	520
of which Y+2	€M	71.3	72.4	251	170
o/w Beyond 5 years - Gross debt	€M	114	18.3	0.00	0.00
+ Gross Cash	€M	11.8	90.9	48.5	37.4
= Net debt / (cash)	**€M**	**1,147**	**823**	**785**	**734**
Bank borrowings	€M	860 (5)	836	756	693
Issued bonds	€M	283 (6)	77.7 (7)	77.7 (7)	77.7 (7)
Financial leases liabilities	€M	0.00	0.00	0.00	0.00
Mortgages	€M	0.00	0.00	0.00	0.00
Other financing	€M	15.9 (8)	0.00	0.00	0.00
of which commercial paper	€M	0.00	0.00	0.00	0.00
Undrawn committed financing facilities	€M	42.4			
Gearing (at book value)	%	437	216	170	152
Adj. Net debt/EBITDA(R)	*x*	*40.4*	*16.6*	*15.3*	*12.8*
Adjusted Gross Debt/EBITDA(R)	*x*	*41.3*	*18.8*	*16.6*	*13.7*
Interest cover (x)	*x*	*0.20*	*0.12*	*1.04*	*1.25*
FFO/Net debt	*%*	*-2.08*	*-42.4*	*0.19*	*1.30*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*-0.01*	*-2.91*	*0.92*	*0.35*
"Cash" FCF/ST debt	*x*	*-0.03*	*-4.17*	*0.25*	*0.20*

5. Includes €163.3m in loans in breach of covenants (o/w €65.3m in long-term loans reclassified as short-term loans due to the covenant breaches).
6. Restructured bonds under the Safeguard Plan.
7. 94% of the c.€77.7m that remained in both the OPG Safeguard bond liability and in OG bonds was exchanged into €73.1m of new OPG notes following the equitisation of the OG and OPG bonds.
8. Liabilities linked to assets held for sale.

ROE Analysis (Dupont's Breakdown)

ROE Analysis (Dupont's Breakdown)		12/11A	12/12E	12/13E	12/14E
Tax burden (Net income/pretax pre excp income)	x	1.13	1.01	0.85	0.86
Interest burden (pretax inc./EBIT)	x	-1.18	-5.78	0.36	0.45
EBIT margin (EBIT/sales)	%	25.3	19.2	30.9	31.8
Assets rotation (Sales/Avg assets)	x	0.10	0.21	0.17	0.18
Financial leverage (Avg assets /Avg equity)	x	5.74	4.10	2.98	2.80
ROE	**%**	**-18.8**	**-95.5**	**4.69**	**6.38**

Shareholder's Equity Review (Group Share)

Shareholder's Equity Review (Group Share)		12/11A	12/12E	12/13E	12/14E
Y-1 shareholders' equity	€M	303	263	456	473
+ Net profit of year	€M	-53.3	-343	21.8	31.0
- Dividends (parent cy)	€M	0.00	0.00	0.00	0.00
+ Additions to equity	€M	-4.85	602	0.00	0.00
o/w reduction (addition) to treasury shares	*€M*	*-1.50*	*0.00*	*0.00*	*0.00*
o/w stock option proceeds	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
- Unrecognised actuarial gains/(losses)	€M	0.42	-0.67	-0.67	-0.67
+ Comprehensive income recognition	€M	17.8	-65.8	-3.69	-4.26
= Year end shareholders' equity	**€M**	**263**	**456**	**473**	**499**

Financials

Staffing Analytics

		12/11A	12/12E	12/13E	12/14E
Sales per staff	€th	101 [10]	295	236	260
Staff costs per employee	€th	-19.1 [10]	-26.0	-26.0	-26.0
Change in staff costs	*%*	*-34.5*	*-9.14*	*-4.90*	*-2.62*
Change in unit cost of staff	*%*	*-11.0* [10]	*36.3*	*0.00*	*0.00*
Average workforce	**unit**	**1,553** [26] [27]	**1,035**	**984**	**958**
Europe	unit	1,553	1,035	984	958
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	**€M**	**-29.6**	**-26.9**	**-25.6**	**-24.9**
Wages and salaries	€M	-28.0	-26.9	-25.6	-24.9
of which social security contributions	*€M*	*-4.26*			
Equity linked payments	€M	-0.56			
Pension related costs	€M	-0.90	0.00	0.00	0.00
Benefits related payments	€M	-0.13			

10. Impact of the disposal of the Molcom logistics activities in Russia in H1 11 (representing 42% of total staff in FY10), and further asset disposals planned for FY12 (hotels MaMaison and Suncani Hvar in Croatia).

26. The group has not provided a breakdown of its headcount by location since FY08.

27. This is an estimated average workforce as the group only disclosed end-year figures.

Divisional Breakdown Of Revenues

		12/11A	12/12E	12/13E	12/14E
Property development	€M	47.4	190 [1]	114	125
Property investment and management	€M	110 [2]	115	119	124
Other	€M	0.00	0.00	0.00	0.00
Total sales	**€M**	**158** [3]	**306** [4]	**233**	**249**

1. Including the sale of the Sky Office building in Düsseldorf (€127.8m market value on 30 June 2012, and target sale price of €145-155m indicated in the Q1 11 quarterly report).
2. Impacted by the sale of the Molcom logistics platforms in Russia in H1 11, earlier than the FY13 disposal planned in the Safeguard Plan of May 2010. The 2010 pro-forma figure was €111.6m.
3. Strong decrease in the total revenue in 2011 due to the absence of sales of commercial properties.
4. Over 2012, the group expects to achieve revenues between €160m and €180m excluding the potential sale of the Sky Office building in D , usseldorf (valued at €127.8m in June 2012).

Divisional Breakdown Of Earnings

		12/11A	12/12E	12/13E	12/14E
EBITDA/R Analysis					
Property development	€M	-5.20	9.51	5.68	8.74
Property investment and management	€M	35.5	48.5	50.0	53.4
Other/cancellations	€M	-1.92	-7.64	-4.65	-4.98
Total	**€M**	**28.4**	**50.4**	**51.0**	**57.2**
EBITDA/R margin	%	18.0	16.5	21.9	23.0

Financials

Revenue Breakdown By Country

		12/11A	12/12E	12/13E	12/14E
Czech Republic	%	33.3	33.0		
Germany	%	40.5	46.0		
Russia	%	2.27	1.00		
Poland	%	8.20	8.00		
Croatia	%	10.1	10.0		
Hungary	%	1.84	2.00		
Slovakia	%	3.96	2.00		
Luxemburg	%	7.79	8.00		
Other	%	-7.92	-10.0		

Capital Employed

		12/11A	12/12E	12/13E	12/14E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*1.83*	*2.96*	*3.93*	*4.40*
Goodwill	€M	39.3	39.3	39.3	39.3
Accumulated goodwill amortisation	*€M*	*2.30*	*2.30*	*2.30*	*2.30*
All intangible assets	€M	8.48	8.48	8.48	8.48
Accumulated intangible amortisation	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
Financial hedges (LT derivatives)	€M	0.00	0.00	0.00	0.00
Capitalised R&D	€M	0.00	0.00	0.00	0.00
PV of non-capitalised lease obligations	€M	0.00	0.00	0.00	0.00
Other fixed assets	€M	1,029	1,052	1,109	1,172
Accumulated depreciation	*€M*	*73.6*	*85.5*	*98.1*	*111*
Capital employed before depreciation	€M	1,498	1,438	1,428	1,414
WCR	€M	298	202	123	32.4
Other assets	€M	46.8	46.8	46.8	46.8
Unrecognised actuarial losses/(gains)	€M	-0.42	0.67	0.67	0.67
Capital employed after deprec. (Invested capital)	**€M**	**1,422**	**1,350**	**1,327**	**1,300**

Divisional Breakdown Of Capital

		12/11A	12/12E	12/13E	12/14E
Property development	€M	467 [28]	444	436	427
Property investment and management	€M	954 [28]	906	891	872
Other	€M	0.44	0.42	0.41	0.41
Total capital employed	**€M**	**1,422**	**1,350**	**1,327**	**1,300**

28. Segment assets taken as a proxy for segment capital employed.

Pension Risks

Pension matters

Pension risk, measured by the pension ratio, is not an issue for OPG, standing at 13% in FY09, up from 3% in FY08 not because of an increase in pension liabilities but because of a meltdown in OPG's equity after large losses. The onetime gain related to the Safeguard Plan and markdown of bond debts partially rebuilt equity in FY10 and reduced the pension ratio back to c. 3%. The FY11 figure remained around 3%. The pension obligations arise entirely and exclusively in Germany (Orco Projektentwicklung GmbH and Viterra Baupartner GmbH acquired in FY06). OPG employed 2,146 people from 15 different nationalities across Europe in FY09, down from a peak of 2,870 in FY07 (2,752 in FY08), following its debt problem and ensuing restructuring plan with employees layoffs and the closure of c. 10 offices across Central Eastern Europe and Germany. Headcount was further reduced to 2,071 in FY10. With the non-core asset disposals like the Molcom Logistics activities in Russia in 2011, overall headcount decreased substantially to 1,035 as at December 2011 (of which 691 full-time-equivalent employees dedicated to the hospitality activities).

Summary Of Pension Risks

		12/11A	12/12E	12/13E	12/14E
Pension ratio	%	**3.34**	**2.27**	**2.18**	**2.15**
Ordinary shareholders' equity	€M	263	456	473	499
Total benefits provisions	**€M**	**9.68**	**9.62**	**9.60**	**10.0**
of which funded pensions	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
of which unfunded pensions	*€M*	*9.68*	*9.62*	*9.60*	*10.0*
of which benefits / health care	*€M*		*0.00*	*0.00*	*0.00*
Unrecognised actuarial (gains)/losses	€M	-0.60	0.96	0.96	0.96
Company discount rate	*%*	*4.60*	*4.60*	*4.60*	*4.60*
Normalised recomputed discount rate	%		4.00		
Company future salary increase	*%*	*2.75*	*2.75*	*2.75*	*2.75*
Normalised recomputed future salary increase	%		3.00		
Company expected rate of return on plan assets	*%*	*0.00* [29]	*0.00*	*0.00*	*0.00*
Normalised recomputed expd rate of return on plan assets	%		1.00		
Funded : Impact of actuarial assumptions	**€M**		**0.00**		
Unfunded : Impact of actuarial assumptions	**€M**		**1.56**		

29. The group has no plan assets. As a result, all pension obligations are unfunded. Only Orco Projektentwicklungs GmbH and Viterra Baupartner GmbH (acquired in FY06) have defined benefit plans.

Geographic Breakdown Of Pension Liabilities

		12/11A	12/12E	12/13E	12/14E
US exposure	%	0.00	0.00	0.00	0.00
UK exposure	%	0.00	0.00	0.00	0.00
Euro exposure	%	100 [30]	100	100	100
Nordic countries	%	0.00	0.00	0.00	0.00
Switzerland	%	0.00	0.00	0.00	0.00
Other	%	0.00	0.00	0.00	0.00
Total	%	100	100	100	100

30. Only Orco Projektentwicklungs GmbH and Viterra Baupartner GmbH (acquired in FY06) have defined benefit plans. Therefore, the pension liabilities are 100% exposed to the euro.

Balance Sheet Implications

		12/11A	12/12E	12/13E	12/14E
Funded status surplus / (deficit)	€M	0.00	0.00	0.00	0.00
Unfunded status surplus / (deficit)	€M	-9.08	-10.6	-10.6	-11.0
Total surplus / (deficit)	€M	-9.08	-10.6	-10.6	-11.0
Total unrecognised actuarial (gains)/losses	**€M**	**-0.60**	**0.96**	**0.96**	**0.96**
Provision (B/S) on funded pension	€M	0.00	0.00	0.00	0.00
Provision (B/S) on unfunded pension	€M	9.68	9.62	9.60	10.0
Other benefits (health care) provision	€M		0.00	0.00	0.00
Total benefit provisions	**€M**	**9.68**	**9.62**	**9.60**	**10.0**

Pension Risks

P&L Implications

		12/11A	12/12E	12/13E	12/14E
Funded obligations periodic costs	€M	0.00	0.00	0.00	0.00
Unfunded obligations periodic costs	€M	-0.43	-0.36	-0.42	-0.42
Total periodic costs	**€M**	**-0.43**	**-0.36**	**-0.42**	**-0.42**
of which incl. in labour costs	*€M*	*0.00*	*0.00*	*0.00*	*0.00*
of which incl. in interest expenses	*€M*	*-0.43*	*-0.36*	*-0.42*	*-0.42*

Funded Obligations

		12/11A	12/12E	12/13E	12/14E
Balance beginning of period	**€M**	**0.00**	**0.00**	**0.00**	**0.00**
Current service cost	€M		0.00	0.00	0.00
Interest expense	€M		0.00	0.00	0.00
Employees' contributions	€M				
Impact of change in actuarial assumptions	€M		0.00	0.00	0.00
of which impact of change in discount rate	*€M*		*0.00*		
of which impact of change in salary increase	*€M*		*0.00*		
Changes to scope of consolidation	**€M**				
Currency translation effects	€M				
Pension payments	€M				
Other	€M				
Year end obligation	**€M**	**0.00**	**0.00**	**0.00**	**0.00**

Plan Assets

		12/11A	12/12E	12/13E	12/14E
Value at beginning	**€M**	**0.00**	**0.00**	**0.00**	**0.00**
Company expected return on plan assets	€M		0.00	0.00	0.00
Actuarial gain /(loss)	€M		0.00	0.00	0.00
Employer's contribution	€M	0.00	0.00	0.00	0.00
Employees' contributions	€M	0.00	0.00	0.00	0.00
Changes to scope of consolidation	€M				
Currency translation effects	€M				
Pension payments	€M	0.00	0.00	0.00	0.00
Other	€M				
Value end of period	**€M**	**0.00**	**0.00**	**0.00**	**0.00**
Actual and normalised future return on plan assets	€M	0.00	0.00	0.00	0.00

Unfunded Obligations

		12/11A	12/12E	12/13E	12/14E
Balance beginning of period	**€M**	**9.19**	**9.08**	**10.6**	**10.6**
Current service cost	€M	0.00	0.00	0.00	0.00
Interest expense	€M	0.43	0.36	0.42	0.42
Employees' contributions	€M	0.00	0.00	0.00	
Impact of change in actuarial assumptions	€M	-0.12	1.56	0.00	0.00
of which Impact of change in discount rate	*€M*		*1.11*		
of which Impact of change in salary increase	*€M*		*0.45*		
Changes to scope of consolidation	€M	0.00	0.00	0.00	
Currency translation effects	€M	0.00	0.00	0.00	
Pension payments	€M	-0.42	-0.43	-0.44	
Other	€M	0.00	0.00	0.00	
Year end obligation	**€M**	**9.08**	**10.6**	**10.6**	**11.0**

Orco (OPG) (Buy)

Property Operations - Devlp / Luxemburg

ALPHAVALUE CORPORATE SERVICES

Governance & Management

Ticking list of key governance issues

	Yes ✓ / No ✗	Weighting
One share, one vote	✓	15 %
Chairman vs. Executive split	✗	5 %
Chairman not ex executive	✗	5 %
Independent directors equals or above 50% of total directors	✓	20 %
Full disclosure on mgt pay (performance related bonuses, pensions and non financial benefits)	✗	20 %
Disclosure of performance anchor for bonus trigger	✗	15 %
Compensation committee reporting to board of directors	✓	5 %
Straightforward, clean by-laws	✓	15 %
Governance score	55	100%

Existing committees

- ✓ Audit / Governance Committee
- ✓ Compensation committee
- ✗ Financial Statements Committee
- ✗ Litigation Committee
- ✓ Nomination Committee
- ✗ Safety committee
- ✗ SRI / Environment

Management

Name		Function	Birth date	Date in	Date out	Compensation, in k€ (year) Cash	Equity linked
Jean-François OTT	M	CEO	1965	1991		(2011)	(2011)
Nicolas TOMMASINI	M	CFO	1971	1997		(2011)	(2011)
Aleš VOBRUBA	M	Senior Executive	1960	1995		(2011)	(2011)
Ogi JAKŠIĆ	M	Senior Executive	1974	2009		(2011)	(2011)
Yves DÉSIRONT	M	Senior Executive	1972	2005		(2011)	(2011)
Brad TAYLOR	M	Senior Executive	1973	2007		(2011)	(2011)
Jacques BONNAFONT	M	Senior Executive				(2011)	(2011)
Cédric GABILLA	M	Senior Executive				(2011)	(2011)
Julien VILLENEUVE	M	Senior Executive				(2011)	(2011)
Petr HAVLENA	M	Senior Executive				(2011)	(2011)

Board of directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
Jean-François OTT	M	✗	President/Chairman of th...	2013	1965	1991		(2011)	(2011)
Nicolas TOMMASINI	M	✗	Member	2013	1971	2004		(2011)	(2011)
Guy WALLIER	M	✓	Member	2013		2000		(2011)	(2011)
Bernard KLEINER	M	✓	Member	2013	1950	2009		(2011)	(2011)
Alexis Raymond JUAN	M	✓	Member	2013	1943	2009		(2011)	(2011)
David UMMELS	M	✗	Member			2012		(2011)	(2011)
Benjamin COLAS	M	✗	Member			2012		(2011)	(2011)
Bertrand DES PALLIERES	M	✓	Member		1966	2011		(2011)	(2011)
Silvano PEDRETTI	M	✓	Member		1964	1997	2012	(2011)	(2011)
OTT & CO. S.A.		✗	Member			2004	2012	(2011)	836 (2011)
Robert COUKE	M	✓	Member		1951	2009	2012	(2011)	(2011)
Aleš VOBRUBA	M	✗	Member		1960	2009	2012	(2011)	(2011)
Gabriel LAHYANI	M	✗	Member		1961	2011	2012	(2011)	(2011)
Richard LONSDALE-HANDS	M	✓	Member		1953	2011	2012	(2011)	(2011)

Orco (OPG) (Buy)

Property Operations - Devlp / Luxemburg

Governance & Management

Human Resources

Accidents at work	Human resources development	Pay	Job satisfaction	Internal communication
25 % Of H.R. Score	35 % Of H.R. Score	20 % Of H.R. Score	10 % Of H.R. Score	10 % Of H.R. Score

HR Breakdown

		Yes ✓ / No ✗	Rating
Accidents at work	**25 %**		**0/100**
Set targets for work safety on all group sites?	40 %	✗	0/100
Are accidents at work declining?	60 %	✗	0/100
Human resources development	**35 %**		**4/100**
Are competences required to meet medium term targets identified?	10 %	✗	0/100
Is there a medium term (2 to 5 years) recruitment plan?	10 %	✗	0/100
Is there a training strategy tuned to the company objectives?	10 %	✗	0/100
Are employees trained for tomorrow's objectives?	10 %	✗	0/100
Can all employees have access to training?	10 %	✗	0/100
Has the corporate avoided large restructuring lay-offs over the last year to date?	10 %	✗	0/100
Have key competences stayed?	10 %	✓	4/100
Are managers given managerial objectives?	10 %	✗	0/100
If yes, are managerial results a deciding factor when assessing compensation level?	10 %	✗	0/100
Is mobility encouraged between operating units of the group?	10 %	✗	0/100
Pay	**20 %**		**6/100**
Is there a compensation committee?	30 %	✓	6/100
Is employees' performance combining group performance AND individual performance?	70 %	✗	0/100
Job satisfaction	**10 %**		**7/100**
Is there a measure of job satisfaction?	33 %	✗	0/100
Can anyone participate ?	34 %	✓	3/100
Are there action plans to prop up employees' morale?	33 %	✓	3/100
Internal communication	**10 %**		**10/100**
Are strategy and objectives made available to every employee?	100 %	✓	10/100
		Human Ressources score:	**26/100**

HR Score

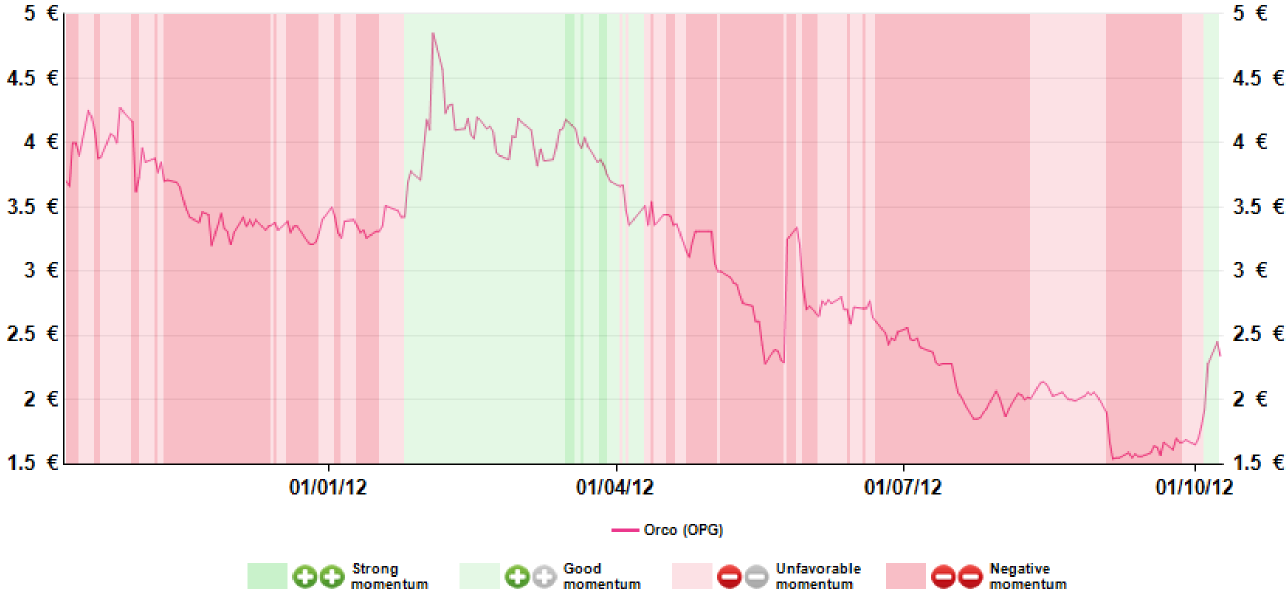
H.R. Score

▼ Property

■ Orco Property Group

Graphics

Momentum



: Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

: Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

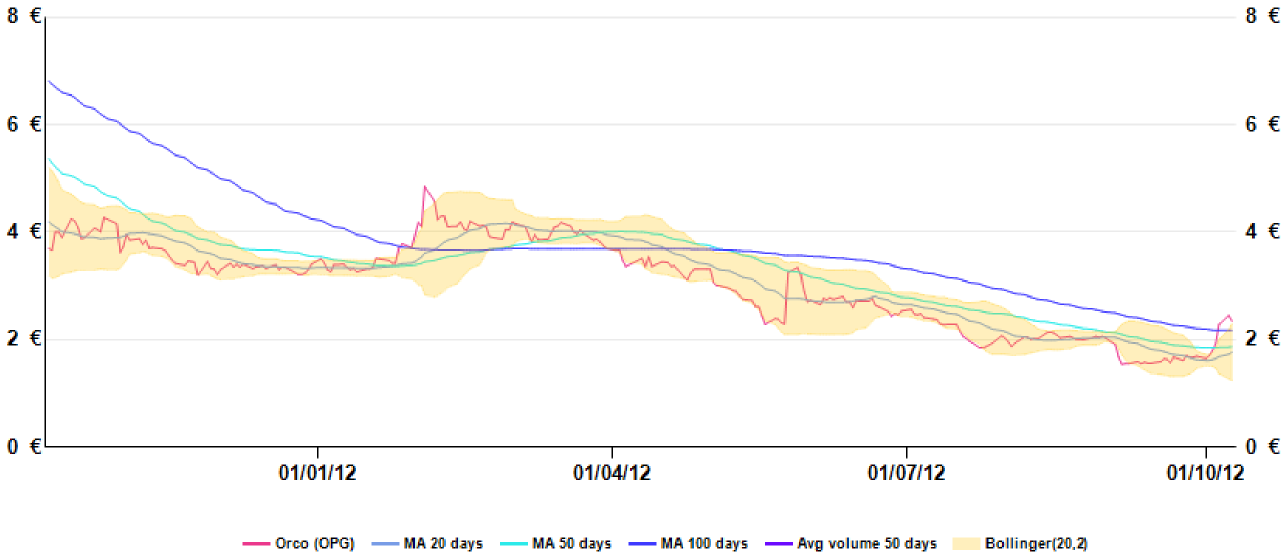
: Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

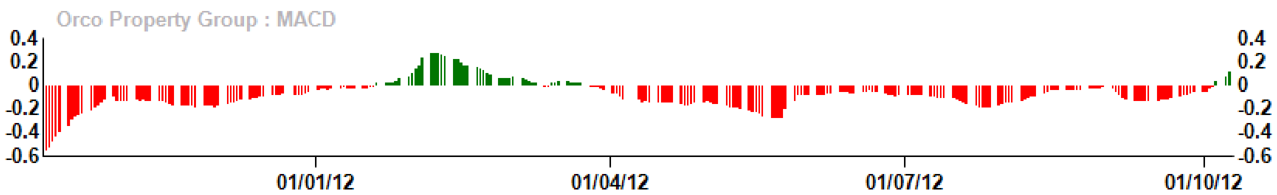
: Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

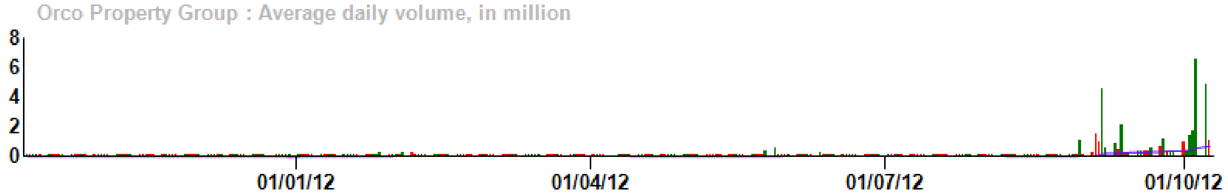
Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.
The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.
For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.
The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

Graphics

Moving Average MACD & Volume

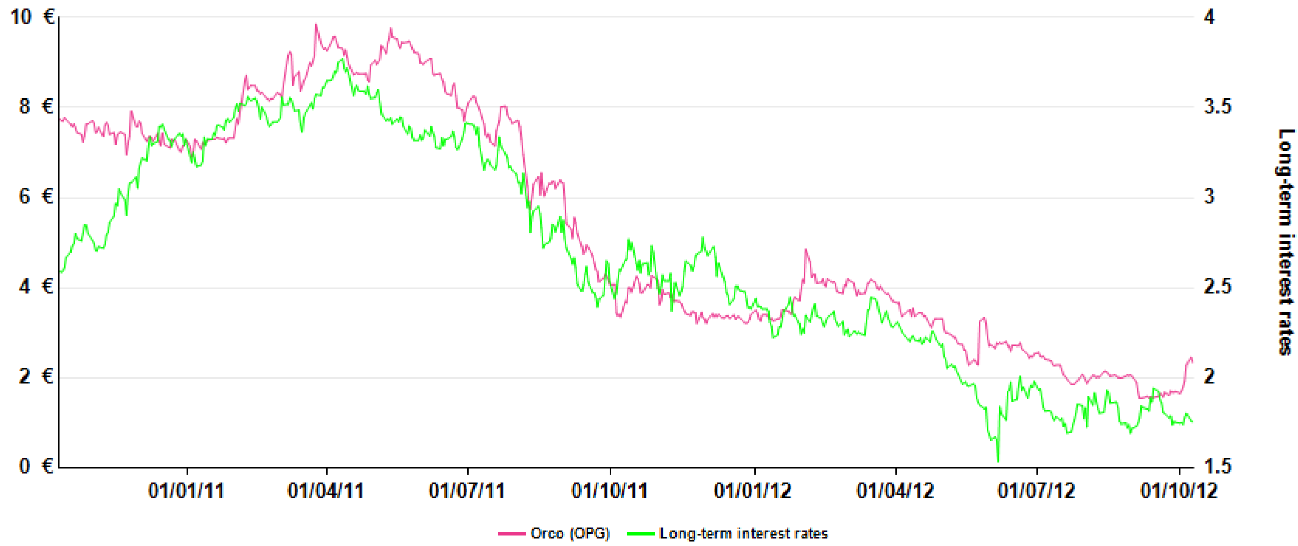




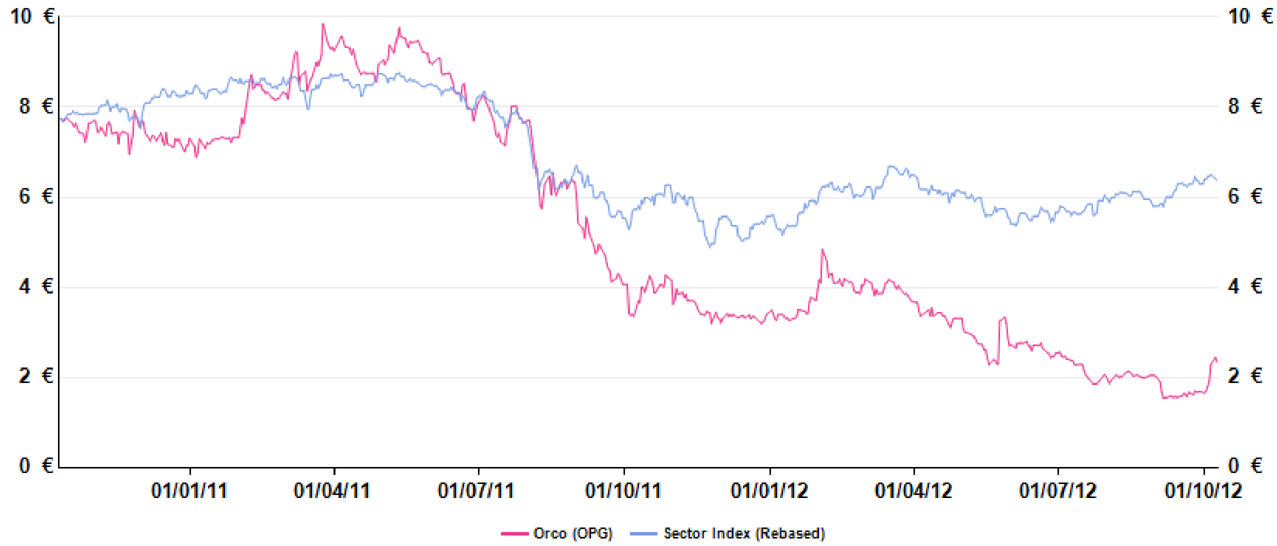


Graphics

Long-term interest rates sensitivity



Sector Property



Methodology

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a **"value"** approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency,** all underlying figures are accessible, and **consistency,** same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility (10-30)	Normal Volatility (15-35)	High Volatility (above 35)
Buy	More than 15 % upside	More than 20 % upside	More than 30 % upside
Add	From 5 % to 15 %	From 5 % to 20 %	From 10 % to 30 %
Reduce	From -10 % to 5 %	From -10 % to 5 %	From -10 % to 10 %
Sell	Below -10 %	Below -10 %	Below -10 %

There is deliberately no "neutral" recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere. The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	25%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	15%	15%
P/Book	5%	5%	5%	5%	15%	10%
Banks' instrinsic method	0%	0%	0%	0%	25%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%
Typical sectors				Bio Techs		

Methodology

Important Warning

Above comments are solely aimed at institutional and other professional investors. They are designed to complement services made available by subscription only to AlphaValue via www.alphavalue.com . Above comments may only make sense in connection with an access to AlphaValue on line equity research