



Press Release, 28 March 2012

Full year 2011 unaudited estimated financial results

2011 financial highlights:

- Gross Asset Value (GAV) amounts to EUR 1,606 Million as at December 2011, a 8% yearly decrease due to assets sale and exchange rates, or a 5.4% yearly increase like-for like¹.
- NAV per share is down to EUR 22.6 from EUR 28.6 as a result of the dilution resulting from the capital increase subscribed by MSREI, the net loss of the year and the foreign exchange result, partially compensated by the increased shareholding of the Group in Orco Germany.
- Revenues are at EUR 158 Million in 2011, to be compared to EUR 295 Million in December 2010 (pro forma). Property Investments demonstrate stable revenues at a level of EUR 110 Million despite disposals. Development activity strongly decreases to EUR 47 Million (compared to EUR 183 Million in 2010) due to the absence of sale of commercial properties.
- Operating result is stable at EUR 40 Million with decrease in operating expenses, cost of goods sold and net increase of impairment valuation changes on real estate assets compensating the decrease in revenues.
- Interest expenses are reduced from EUR 96 Million down to EUR 83 Million following some asset disposals and better liability management.
- Key sale transactions on Leipziger Platz and Russian business (except hospitality) generate long term receivables of EUR 65 Million.
- Loan To Value (LTV) excluding bonds stands at 52% compared to 54% in December 2010. While management prepares an equitization proposal to bondholders, LTV with bonds increases to 70%.
- Sharp currency movements in H2 mainly with decreases by 13% year on year of both the Polish Zloty and the Hungarian Forint contributing to more than 70% to the foreign exchange non cash loss amounting to EUR 12 Million in 2011. The GAV also decreases by EUR 38 Million as a result of Central European currencies weakening towards Euro.
- The net loss for the year amounts to EUR 43 Million compared to a net gain of EUR 233 Million, strongly impact in 2010 by the one off gain on the Safeguard bonds' restructuring. In 2011, the net operating result of EUR 40 Million is impacted by the interest expenses of EUR 82 Million and the negative foreign exchange result.

¹ On all real estate assets and investments of the Group whether or not at fair value in the consolidated financial statements and after exchange rate impact.

1. Message from the President

The Company past months have been contrasted; some of our key assets like Orco GSG in Berlin, Sky office in Düsseldorf or Suncani Hvar in Croatia have improved their operational performance, but are still subject to challenging refinancing issues due to the credit crunch. It has led to more conservative lending conditions for both the Group and our asset buyers while leading us to reinvest more cash in our assets and accelerating the closing of the sale of some major assets. Above all, we have focused on securing the equitization of the corporate bonds:

- at OPG level, we have reached an agreement on economic terms which is to be finalized over the coming days (see chapter 3.2.1);
- at OG level, I am confident that on the 5 April, Bondholders General Assembly will confirm the previously agreed economic terms (see chapter 3. 2. 2).

In the meantime, we are making good progresses on the extraction of the huge potential value embedded in our assets, especially the major ones such as Orco-GSG, our Bubny site in Prague or our Złota 44 development in Warsaw. I am confident 2012 is a turning point for the Group.

Jean-François OTT
President & CEO

2. Going concern

Orco Property Group (“the Company” or “OPG”) publishes today its unaudited estimated consolidated financial information prepared under the going concern assumption. The final audited consolidated financial information is expected to be published mid-May. While the Board of Directors expects that the Company can continue its operations for the foreseeable future, it is unable at this time to conclude on the going concern assumption for the establishment of the consolidated financial information.

The short term liabilities amount to EUR 756 million, an increase of EUR 283 million², and include: GSG for EUR 300 Million³ due mid April 2012, the bonds issued by Orco Germany SA (“OG”) for EUR 98 Million⁴ due end of May 2012 and the short term portion of the Company’s Safeguard bonds for EUR 22 Million⁵ due end of April 2012. There are material uncertainties linked to the restructuring of the bonds issued by the Company, the restructuring of the bonds issued by OG and the refinancing of GSG, the main rental portfolio of OG in Berlin. While the GSG bank facility still needs to be prolonged or refinanced, the Company’s bonds equitization is however in final negotiation stage.

The OPG cash flow forecast for the first months of 2012 demonstrates the need for the management to be successful in either equitizing the OPG bonds or concluding some major asset sales before the payment of the next Safeguard net dividend. While asset sales have become more difficult and delayed due to conservative bank lending policies, the Company expects to conclude an equitization agreement with a group of OPG bondholders over the coming days, which will be validated in April at the general assemblies of each bond issue.

The structure of the Group generally prevents the recourse of creditors against the Company. The Group is organized into a number of sub-holdings such as OG or Hospitality Invest, or into SPVs⁶ owning dedicated assets. In the few potential cases of recourse against the Company, it is protected

² Mainly due to the transfer from long term to short term of loans that have become due within 12 months

³ As at 31 December 2011

⁴ IFRS net present value as at December 2011 of the 100 Million nominal bond issued by OG excluding the repayment premium and the accrued interests.

⁵ Amount to be paid as Safeguard dividend as at 30 April 2012 net of amount to be received on own bonds.

⁶ Special Purpose Vehicles

by the Safeguard plan which would term out any exercise of guarantee. Therefore any existing funding problem other than mentioned above would not prevent on its own to conclude on the going concern.

The Board of Directors is confident that the steps and actions initiated are the ones that might lead to a successful restructuring. Nevertheless, the Group is dependent on the decisions of bondholders and asset buyers. Those decisions are not sufficiently secured yet in order to allow concluding today on the going concern. It is expected that the results of the vote of the bondholders in their respective general meetings, foreseen in April, will allow drawing a conclusion. It can therefore be expected that a conclusion on the going concern could be drawn mid-May in order to finalize the financial and audit reports.

If the Company is not successful in its restructurings, the going concern assumption might not be relevant any longer for the Group or its components. The consolidated financial statements would then need to be totally or partially⁷ amended to an extent which today cannot be estimated in respect of : the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non-current assets and liabilities into current assets and liabilities. Apart from the going concern risk for the Group related to the Company's bonds, the two other major risks are at the level of OG and GSG. Their contribution to the Group's estimated consolidated balance sheet and income statement are disclosed below:

In EUR Thousand	ORCO Germany	Of which GSG
NON-CURRENT ASSETS	568,926	522,964
Intangible assets	46,492	46,411
Investment property	491,989	447,479
Property, plant and equipment	5,168	4,023
Hotels and owner-occupied buildings	2,911	2,911
Fixtures and fittings	2,257	1,112
Properties under development	-	-
Financial assets at fair value through profit or loss	25,051	25,051
Non current loans and receivables	226	-
Deferred tax assets	-	-
CURRENT ASSETS	220,649	31,333
Inventories	144,272	32
Trade receivables	21,584	4,074
Other current assets	20,474	13,571
Derivative instruments	-	-
Current financial assets	27	-
Cash and cash equivalents	14,802	6,967
Assets held for sale	19,489	6,689
TOTAL ASSETS	789,575	554,297
NON-CURRENT LIABILITIES	124,975	86,102
Bonds	-	-
Financial debts	26,826	127
Provisions & other long term liabilities	10,214	-
Derivative instruments	-	-
Deferred tax liabilities	87,936	85,975
CURRENT LIABILITIES	599,783	325,147
Current bonds	-	-
Financial debts	496,638	300,276
Trade payables	3,420	226
Advance payments	20,096	10,792
Derivative instruments	29,842	4,485
Other current liabilities	27,224	9,962
Net assets & Liabilities toward the group	11,816	(593)
Liabilities linked to assets held for sale	10,745	-
TOTAL LIABILITIES	724,758	411,249

⁷ Limited to the subsidiaries where the risks of losing the assets are too high

In EUR Thousand	ORCO Germany	Of which GSG
Revenue	63,757	51,309
Net gain or loss from fair value adjustments on investment property	13,095	8,119
Other operating income	656	37
Net result on disposal of assets	11,818	0
Cost of goods sold	(626)	(57)
Employee benefits	(6,746)	(3,791)
Amortisation, impairments and provisions	5,840	259
Other operating expenses	(32,351)	(21,095)
Operating result	55,442	34,780
Interest expenses	(32,010)	(17,274)
Interest income	2,137	1,457
Foreign exchange result	0	0
Other net financial results	5,447	10,743
Financial result	(24,425)	(5,073)
Résultat exceptionnel	0	0
Profit/(loss) before income taxes	31,016	29,708
Income taxes	(9,562)	(9,078)
Impact of assets held for sale	0	0
Net profit or loss for the period	21,454	20,629
Total profit/(loss) attributable to:		
non controlling interests	6,761	5,418
Owners of the Company	14,693	15,211

3. Main events

3.1. Key events of the year 2011

- Zlota 44 – construction restarted and structure completed
- Sky Office Dusseldorf reached ca. 89% occupancy rate
- Leipziger Platz sale and profit sharing
- Joint Venture with Unibail-Rodamco on Bubny
- Investment by Morgan Stanley Real Estate Investing
- Closing of the agreement to sell Russian assets
- Management restructuring in Orco Germany
- Third party opposition to the judgment approving the Safeguard plan
- Dispute with Croatian Privatization Fund (“CPF”)
- Settlement agreement with Millenius, Fideicom, Clannathone and Bugle
- Acquisition of treasury shares

3.2. Post-closing events of the year 2012

3.2.1. Update on EUR 129 Million of Orco Germany bonds equitization

A general meeting of OG bondholders has been convened to be held on 5 April 2012 in order to vote on the restructuring described in the agenda of the convening notice available on <http://www.orcogermany.de/en/Investor-relations-8656.html>.

The main economic terms are identical to the ones proposed to the general meeting held on 27 January 2012 where the qualified majority of votes was obtained in favor of the proposed restructuring. As the result of the elapsed deadlines included in the previously approved transaction, the January vote and the original Binding Term Sheet are no longer valid.

Upon approval, this transaction will reduce the LTV of the OPG group from c. 67% to c. 60% and the LTV of the OG group from c. 79% to c. 64%.

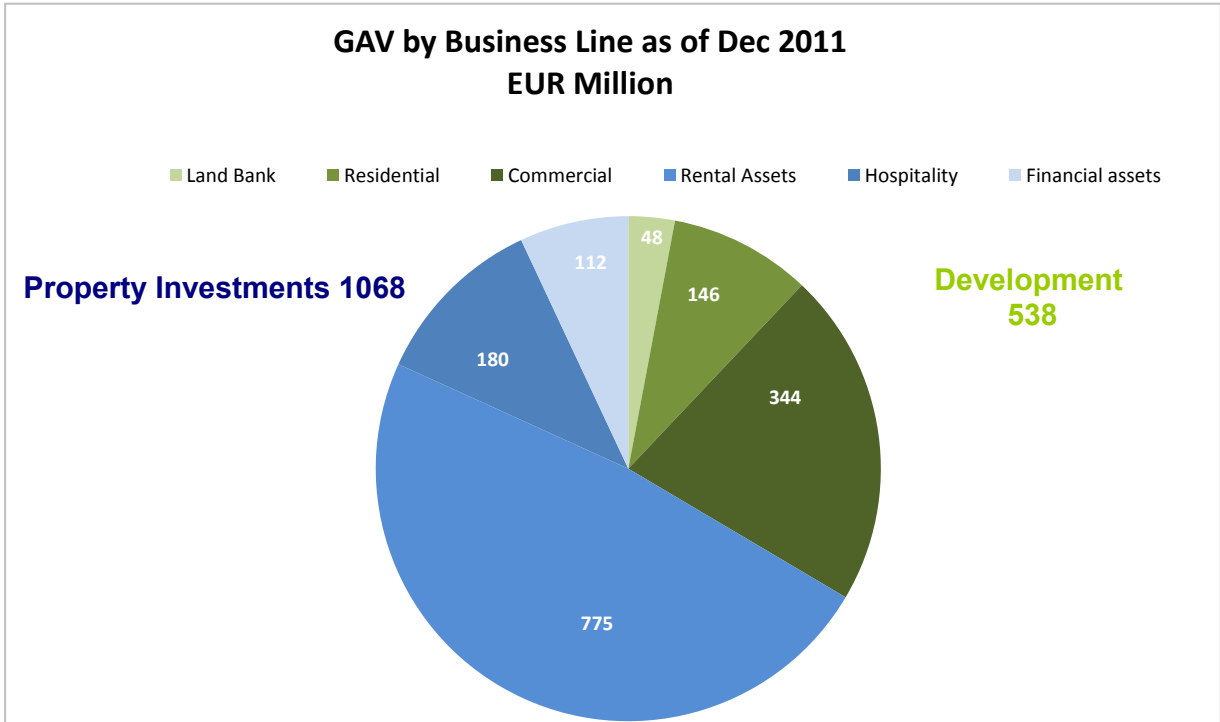
3.2.2. Status of OPG bondholder equitization negotiations

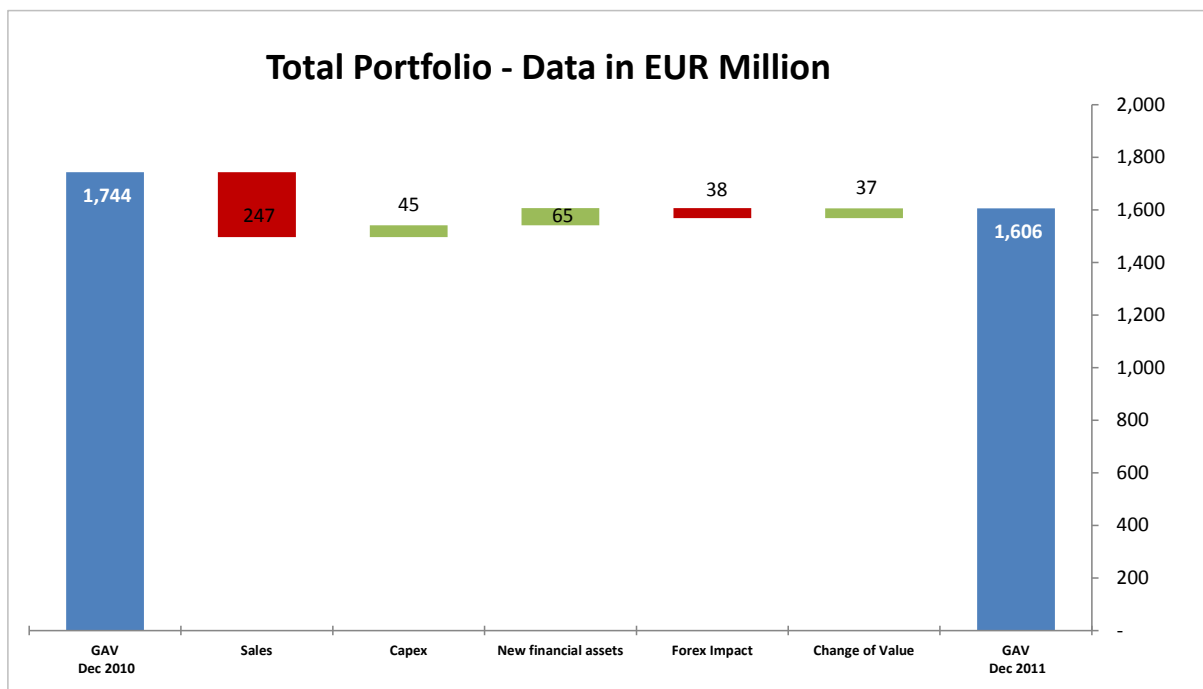
The Company has entered into negotiations with a group of OPG bondholders representing a significant portion of OPG bondholders for the purpose of agreeing terms of equitization of part or the totality of the bond debt termed out by the Safeguard judgment of May 2010. It is expected that a Binding Term Sheet would be signed over the coming days, the terms of which would be presented for validation in April by General Meetings of each bond issue.

4. Gross Asset Value and NAV

The Gross Asset Value (“GAV”) corresponds to the sum of fair value of all real estate assets held by the Group on the basis of the consolidation scope and real estate financial investments: shares in real estate funds, loans to third parties active in real estate, shares in non-consolidated real estate companies. Since 2010, the GAV calculation integrates also the real estate financial investments. Over the year 2011, the amounts of financial assets in the Gross Asset Value increased from EUR 35 Million as of December 2010 to EUR 112 Million as of December 2011 which results mostly from the addition of the net present value of the EUR 30 Million earn out relating to the Leipziger Platz’s transaction, of the Russian Portfolio transaction’s balance payment amounting to EUR 40 Million and of the increase of the shareholding of the Group in Endurance Fund due to the MSREI transaction.

As of December 2011, on the basis of a review of the real estate portfolio by the independent appraiser and the fair value of the real estate financial investments, the GAV went from EUR 1,744 Million as of December 2010 down to EUR 1,606 Million. The GAV breaks down to 66% for assets under Property Investments and 34% of projects and land banks for the Development business line.





This year on year variation results from the exit of properties consequently to asset and development sales amounting to EUR 247 Million with key transactions such as Leipziger platz (EUR 113.5 Million) and the sale of Russian Portfolio. Additional investment in projects under construction, permitting of land banks and improvement of hospitality and rental assets amounts to EUR 45 Million with Zlota 44 (EUR 21 Million), Vaci I (EUR 6 Million) and Bubny (EUR 5 Million). A negative foreign exchange rate impact of EUR 38 Million is recorded, particularly on assets held in Poland (EUR -15 Million) and Hungary (EUR -12 Million). The main contributors to the net positive change in market value of EUR 37 Million are GSG (EUR 7 Million while development and redevelopment area upsides are not included in the external valuation), Zlota 44 in Warsaw (EUR 16 Million due to the current progresses of the construction works), Radio Free Europe (EUR 6 Million) and Bubny (EUR 7 Million) in Prague.

The new financial assets include the receivables relating to the sale of Leipziger Platz and the Russian Portfolio.

4.1. Liabilities and financial profile

4.1.1. Cash and cash equivalents

As at 31 December 2011, the cash and cash equivalents consist of short-term deposits for EUR 0.4 million (EUR 3.9 million in 2010), cash in bank for EUR 36.6 million (EUR 49.4 million in 2010) and cash in hand for EUR 0.2 million (EUR 0.1 million in 2010).

The cash in bank includes restricted cash for EUR 14.2 million in 2011 (EUR 24.3 million in 2010) representing:

- Cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal for EUR 4.2 million (EUR 2.9 million in 2010);
- Cash deposited in accounts reserved as collateral for development projects and lifted after sales of units for EUR 2.2 million (EUR 4.2 million in 2010);
- Cash deposited in accounts reserved as collateral for loans related to the acquisition of property for EUR 7.8 million (EUR 17.2 million in 2010).

4.1.2. Loan to value

The calculation of the Loan to value (LTV) as of December 2011 is shown in the table below:

In EUR Thousand	December 2011	December 2010
Non current liabilities		
Financial debts	239,225	526,991
Current liabilities		
Financial debts	620,835	389,282
Current assets		
Current financial assets	(29)	(302)
Liabilities held for sale	15,891	76,494
Cash and cash equivalents	(37,095)	(53,439)
Net debt	838,828	939,026
Investment property	872,316	888,036
Hotels and own-occupied buildings	142,659	222,563
Financial assets at fair value through profit or loss	40,741	30,049
Non current loans and receivables	77,265	-
Inventories	382,807	418,957
Assets held for sale	24,129	131,898
Revaluation gains /(losses) on projects and properties	69,521	53,375
Fair value of portfolio	1,609,437	1,744,878
Loan to value before bonds	52.1%	53.8%
Bonds	283,462	243,889
Accrued interests on bonds	2,328	2,328
Loan to value	69.9%	67.9%

It is a Group top priority to deleverage its balance-sheet. As at December 2011, the LTV ratio before bonds decreases from 53.8% to 52.1% as a result of the value creation on existing assets and developments as well as the sales realized on an average price above 2010 DTZ valuation. However the mechanical increase of bonds debt is weighing on the Group's global LTV which has increased to 69.9% end of 2011.

As developed in the Group business plan, management remains committed to the improvement of the LTV ratio over the coming quarters as a top strategic priority, which is expected to take the form of bonds equitization and additional assets sale / debt repayments or reduction. The LTV level of the major Group subsidiary Orco Germany, which stands at 77.8%, is being directly addressed by the OG bonds conversion plan expected to close by April 2012.

4.1.3. Financial liabilities

The financial debts decrease as a result of the repayment of bank loans upon sale of assets, developments and Russian non hospitality activities (EUR -150.1 Million), other repayments of bank loans (EUR --4.5 Million) and foreign exchange differences (EUR -11.0 Million). This is partially compensated by the accrual of actuarial interests (EUR 41.0 Million) and new bank draw downs (EUR 40.9 Million).

Out of the EUR 1.2 Billion borrowings, EUR 858.3 Million relate to bank loans, EUR 283.3 Million relate to bonds issued by the Company or Orco Germany and EUR 17.3 Million relate to loans from joint venture partners and finance leases.

77% of the bank loans relate to income producing assets (development projects under delivery and buildings producing rents or other operational revenues), compared to 81% as at December 2010. While in continuing decrease, 23% of the bank loans still relate to non-income producing land bank and projects under construction. It is a priority of the Group, as developed in the business plan, to continue reducing that ratio by completing or initiating development projects on existing land bank, land sales and sale of non-core assets.

Over 2011 the Group managed to renegotiate a total of EUR 254.2 Million bank loans and asset disposals in Germany led to loan repayments in total amount of EUR 72.7 Million out of which EUR 66.0 Million loan related to the sale of Wertheim / Leipziger Platz (repaid as of January 2011).

Analysis of maturities of financial debts:

In EUR Million	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
As at 31 December 2011	756.6	71.3	217.1	114.2	1,159.3
As at 31 December 2010	474.0	483.8	173.7	105.2	1,236.7

The increase in short term liabilities is mainly related to the transfer from long term to short term of loans that have become due within the next 12 months as GSG for EUR 300.4 Million, the bonds issues by Orco Germany for EUR 97.8 Million (NPVed nominal) or the short term portion of the Safeguard bonds for EUR 22.1 Million net and the transfer in liabilities linked to assets held for sales for EUR 15.9 Million of Przy Parku in Poland, Ku-Damm 102 and Huettenstrasse in Germany. This is partially compensated by the repayments linked to assets and residential sales for EUR 102.7 Million. The current financial debt also includes EUR 99.5 Million of assets and developments that are finalized. The management is very proactive and confident in its ability to further refinance the remaining short term debt (including the GSG loan and the bonds issued by Orco Germany) where needed.

The management is focusing on the key issue of financial debts due within 1 year, mostly within Orco Germany with GSG refinancing EUR 300 Million, due end of April 2012, and the subsequently due Orco Germany bond (EUR 120 Million as at December 2011 on the basis of the bond's amortized cost and the fair value of the repayment premium) due end of May 2012.

Access to debt financing for development projects remains very difficult and no major changes are expected in the short term. Banks still only accept low loan-to-value ratios and pre-sales for new projects, especially outside Germany, while the spread between yields and interests rates remains high.

5. EPRA Net Asset Value

In EUR Thousand	December 2011	December 2010
Consolidated equity	267,408	303,057
Fair Value adjustment on asset held for sales	-	581
Fair value adjustments on investment portfolio	-	398
Fair value adjustments on hotels and own occupied buildings	7,399	5,080
Fair value adjustments on inventories	62,122	47,316
Deferred taxes on revaluations	83,866	67,565
Goodwills	(35,942)	(22,748)
Own equity instruments	1,074	673
EPRA Net asset value	385,927	401,922
Net asset value in EUR per share	22.63	28.60
Existing shares	17,054	14,054
EPRA Net asset value	385,927	401,922
Effect of dilutive instruments	32,308	32,308
Deferred taxes on revaluations	(83,866)	(67,565)
Market value of bonds	22,338	3,050
EPRA Triple Net asset value	356,707	369,715
Triple net asset value in EUR per share	16.18	19.42
Fully diluted shares	22,043	19,043

Over 2011 the consolidated equity decreased by EUR 30.6 Million. The main drivers of this decrease are mainly related to the net loss of the year for EUR 44 Million and the foreign exchange losses in CTA⁸ for EUR 15 Million (CEE currencies versus Euro depreciation) partially compensated by the Morgan Stanley Real Estate Investing (MSREI) investment in the Group share capital for EUR 13 Million and a positive impact of EUR 15 Million resulting of the increase in shareholding interest of the Group in OG. Furthermore, the difference between the market value of the bonds and their book value in the IFRS consolidated financial information⁹ is positively impacting by EUR 22.3 Million.

⁸ Cumulative Translation Adjustment

⁹ Bonds are recognized and measured at amortised cost using the effective interest method in the Group consolidated accounts.

6. Unaudited estimated full year 2011 financial results and balance sheet

Throughout 2011, the Group recorded a net loss amounting to EUR 43.5 Million compared to a net profit of EUR 233.4 Million in 2010. Indeed, 2010 profits included a net gain of 269.6 Million on the recognition at fair value of the bonds of the Company included in the amortization rescheduling of the Safeguard plan. Excluding the termed out bonds impact, the 2010 Group share in the net result amounted to EUR -5.4 Million.

6.1. Consolidated income statement

In EUR Thousand	12 months 2011 Unaudited Estimated	12 months 2010 Pro forma*	12 months 2010
Revenue	157,602	294,539	314,657
Net gain / (loss) from fair value adjustments on investment property	19,560	28,076	25,961
Other operating income	1,877	4,757	4,721
Net result on disposal of assets	10,576	1,341	1,197
Cost of goods sold	(36,016)	(165,727)	(165,770)
Employee benefits	(29,607)	(34,050)	(45,172)
Amortisation, impairments and provisions	(19,407)	(17,545)	(10,157)
Operating expenses	(64,185)	(70,731)	(74,471)
Operating result	40,400	40,660	50,966
Interest expenses	(82,665)	(96,017)	(97,691)
Interest income	4,077	3,473	6,265
Foreign exchange result	(12,074)	9,179	4,104
Other net financial results	13,461	275,689	267,174
Financial result	(77,201)	192,325	179,852
Profit/(loss) before income taxes	(36,801)	232,985	230,818
Income taxes	(6,077)	(6,342)	(8,165)
Profit from continuing operations	(42,878)	226,643	222,653
Profit / (loss) after tax from discontinued operations	1,105	(3,989)	-
Net profit / (loss) for the period	(41,773)	222,653	222,653
Total profit/(loss) attributable to:			
Non controlling interests	(1,753)	10,757	10,757
Owners of the Company	(43,526)	233,410	233,410

(*) 'Pro forma' is the 2010 Income Statement for 12 months with an amended presentation of its contribution of the Russian assets classified as a discontinued operation. The net impact of the pro forma 2010 is now presented on the line "Profit / (loss) after tax from discontinued operations". The Russian assets sale has been completed the 14th of October 2011.

For comparability reasons, the comments in this management report will refer to the 2010 pro forma income statement.

6.1.1. Revenue by Business line

Revenue decreased year on year to EUR 157.6 Million for year ended as of December 2011 compared to EUR 294.5 Million.

While Property Investments business line remains stable with a slight decrease by -1.3% compared to 2010 the strong decrease in development revenue for EUR -135.5 Million is mainly due to the absence of major commercial development sales. They are contributing for EUR 129.9 Million in 2010 with the sale of healthcare assets and office buildings together with the first sale of a development plot on Bubny.

In EUR Thousand	Development	Property Investments	Total
Revenues 2011	47,391	110,211	157,602
Revenues 2010 Pro forma	182,898	111,641	294,539
Variation YoY	(135,507)	(1,430)	(136,937)

Development

▪ Residential

Residential development sales have decreased from EUR 52.9 Million in 2010 to EUR 37.2 Million in 2011. 194 units have been delivered including 122 in the Czech Republic (+12% y-o-y), 55 in Poland (-70% y-o-y), 17 in Slovakia (-6% y-o-y) to be compared with 313 over the same period in 2010. The Group's repositioning from mass development to specific developments led to a reduced number of new projects launched and completed over the years 2010 and 2011. Reduction of current inventory is therefore the main driver of reduced sales.

For projects under construction, total backlog amounts to 324 units of which 59 are covered by a future purchase or a reservation contract. This includes 266 units in Poland (55 contracted) and 58 in the Czech Republic (4 units contracted).

The total backlog for completed projects is made of 165 units, for total expected sales of EUR 27.0 Million with remaining bank debt of EUR 3.5 Million, and 27 of them are covered by a future purchase or a reservation contract.

▪ Commercial

For the year 2011, the commercial development activity recorded EUR 10.1 Million of revenue. In 2010, the revenue of the commercial development activity amounted to EUR 129.8 Million.

The main drivers of the revenue in 2011 are the rent and services which amount to EUR 7.2 Million (EUR 6.3 Million in 2010). Sky office with EUR 6.7 Million recorded in 2011 to be compare with EUR 5.0 Million in 2010 is the main contributor. In the meantime, the project sales amount to EUR 2.6 Million in 2011. In 2010, commercial development revenue reached EUR 123.6 Million.

In Berlin, the sale of Leipziger Platz project booked as an 'investment property' as per IFRS rules was recorded as an asset sale and therefore not included in the revenue.

In Budapest, Vaci 1 recorded the opening of the first stores opened in the ground floor. The Group is now working on several options to improve occupancy and complete full handover in fall 2012.

In the Czech Republic, the transaction on the development Bubny with Unibail Rodamco is to be recorded in 2012.

Property Investments

The property investments business line revenue remains stable at EUR 110.2 Million as of December 2011 (-1.3% compared to December 2010).

▪ Rental

Rental and asset management generate stable revenue of EUR 78.3 Million in 2011 compared to EUR 80.5 Million in 2010. The Czech Republic revenue increase by EUR 0.9 Million, partially compensated by decreases in Hungary for EUR -1.2 Million (including EUR -1.5 on Vaci 188, former Main Budapest Bank, which is now vacant) and Germany for EUR -1.5 Million.

▪ Hospitality activities

Hospitality revenue increased by EUR 0.8 Million over the year to EUR 31.9 Million compared to EUR 31.2 Million in 2010 is mainly explained by the increase of CEE Hotels revenue by EUR 1 Million partially compensated by the EUR -0.3 Million decrease in Croatia.

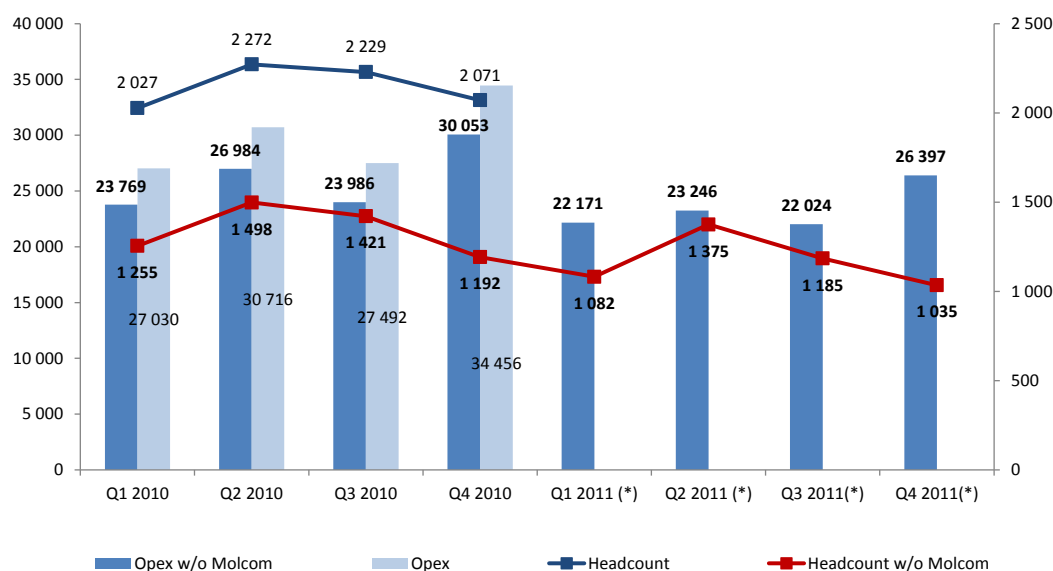
6.1.2. Operating expenses and Employee benefits

The "Operating expenses" and "Employee benefits" amount to EUR -93.8 Million compared to EUR -104.8 Million in 2010. This improvement of 10.5% is the consequence of the continuous adjustment of the Group structure and organization to the changing environment and by further implementing the restructuring plan.

In EUR Thousand	31 December 2011	31 December 2010 Pro forma	Variation	31 December 2010
Leases and rents	(3,176)	(4,567)	1,391	(4,593)
Building maintenance and utilities supplies	(28,148)	(28,368)	220	(30,531)
Marketing and representation costs	(4,533)	(4,414)	(119)	(4,538)
Administration costs	(20,565)	(22,722)	2,158	(23,883)
Taxes other than income tax	(4,754)	(8,705)	3,951	(8,944)
Hospitality specific costs	(883)	(693)	(190)	(693)
Other operating expenses	(2,124)	(1,261)	(863)	(1,289)
Employee benefits	(29,608)	(34,050)	4,442	(45,172)
Operating Expenses and Headcounts	(93,791)	(104,780)	10,990	(119,642)

Consolidated operating expenses can be split into direct asset or project costs generating revenues for EUR -70.1 Million (EUR -80.3 Million in 2010) and general management or services expenses (including run down activities in Germany) for EUR -23.7 Million (EUR -24.5 Million in 2010).

The decrease in operating expenses is particularly marked in Germany (including run down activities) for EUR 6.9 Million, Suncani Hvar for EUR 3.7 Million and services for EUR 1.8 Million where specific restructuring plans have been put in place over the last year.



(*)Retreated of Russian activities

Employee benefits represent 32% of the Group operating expenses and by excluding hospitality activities this proportion goes down to 29%. As of December 2011 the total Company headcount reached 1,035 employees compared to the 2,071 December 2010 which are reflecting the disposal of the Russian assets for 879 employees and the relative downsizing across all countries.

6.1.3. Net gain or loss on disposal of assets

Assets and Activities were sold for a total consideration of EUR 181.3 Million generating a consolidated net gain of EUR 10.6 Million of which Leipziger Platz for EUR 11.2 Million and Molcom with a net loss for EUR 1.0 Million and a net cash inflow after financial debt repayment amounting to EUR 33.0 Million. Deferred payments for EUR 64.8 Million related to these assets are recognised in balance sheet as long term receivables.

6.1.4. Valuation adjustments and impairments

The net result from fair value adjustments on investment properties as at December 2011 amounts to EUR 19.6 Million (EUR -26.0 Million in December 2010).

Valuation gains have been recognized on the best located assets, while buildings with decreased occupancy have seen their valuation go down.

Amortization, impairments and provisions amounting to EUR -19.4 Million as at December 2011 include EUR -15.1 Million impairments on properties and development projects (EUR 1.4 Million in

2010). Most new impairments were recognized on residential developments in the Czech Republic and on Hvar hospitality assets. The impact of fair value and impairments on real estate assets or investments are detailed by country as following:

In EUR Thousand	2011.12			2010.12		
	Revaluation	Impairment	Total	Revaluation	Impairment	Total
Germany	13,095	410	13,505	25,561	7,929	33,490
Czech Republic	8,299	(7,776)	523	10,275	(3,390)	6,885
Poland	5,449	(1,051)	4,397	(2,598)	182	(2,416)
Hungary	(5,745)	-	(5,745)	(2,606)	357	(2,249)
Slovakia	(1,978)	(31)	(2,008)	(39)	(722)	(761)
Luxembourg	(330)	-	(330)	(2,494)	(783)	(3,277)
Croatia	769	(6,695)	(5,926)	(23)	(10,317)	(10,340)
Russia	-	-	-	(2,115)	8,136	6,021
Total	19,560	(15,143)	4,417	25,961	1,392	27,353

6.1.5. Operating result

The operating result consists in a profit EUR 41.5 Million compared to EUR 40.7 Million in 2010.

The drop in revenue is more than compensated by the valuation adjustment increase of EUR 19.6 Million and the improvement in operational expenses, particularly on the Suncani Hvar (EUR 4.0 Million compared to 2010).

6.1.6. Adjusted EBITDA

The adjusted EBITDA amounts to EUR 29.7 Million at the end of 2011 compared to EUR 31.6 Million as at end of 2010.

In the Development business line the lower revenue due to the absence of commercial sales and a lower Residential Development activity are compensated by an improvement of operational performance.

In the Property Investments business line, the decrease observed in Renting is mainly compensated by the improvement of the Hospitality operational performance and the costs reducing measures in the Services.

In EUR Thousand	Development	Property Investments	TOTAL
Operating Result 2011	(2,749)	43,149	40,400
Net gain or loss from fair value adjustments on investment property	2,917	(22,478)	(19,560)
Amortisation, impairments and provisions	4,576	14,831	19,407
Net result on disposal of assets	(10,919)	384	(10,535)
Adjusted EBITDA 2011	(6,175)	35,887	29,712
Adjusted EBITDA 2010 - Pro Forma	(6,681)	38,265	31,584
Variation YoY	506	(2,378)	(1,872)
Adjusted EBITDA 2010	(5,686)	42,447	36,761

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 – Amortisation, 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.

In order to maintain the accuracy of segment reporting the methodology has been revised in 2011 by allocating revenue and costs at the project level instead of the special purpose vehicles ("SPV") level. As a result of the Group restructuring, multi-project SPVs related to both Development and Property Investments are now more frequent. Before this restructuring, the allocation to segments was based on the SPV activity as they were mainly mono-segment. A project is defined as an Investment property, a hotel or owner occupied building or real estate inventory asset.

6.1.7. Financial result

In EUR Thousand	12 months 2011	12 months 2010 (Pro forma)	12 months 2010
Change in carrying value of liabilities at amortised cost	-	272,737	272,737
Change in fair value and realised result on derivative instruments	3,434	6,173	6,173
Change in fair value and realised result on other financial assets	11,943	1,964	1,964
Other net finance gains or losses	(1,912)	(5,185)	(13,700)
Total	13,465	275,689	267,174

Other net financial results over 2010 were mainly influenced by the gain on the revaluation of the bonds upon approval of the Safeguard plan.

Change in fair value of other financial assets essentially relates to financial assets at fair value through profit or loss:

- Loss on Embedded derivatives on Bonds for EUR 4.3 Million;
- Gain on interest derivatives for EUR 7.7 Million.

Change in the fair value of other financial assets essentially relates to financial assets at fair value through profit or loss:

- Gain on revaluation of investment in Endurance Fund compartments for EUR 7.3 Million;
- Gain of revaluation of Rubin for EUR 4.9 Million;
- Gain on PPL asset revaluation for 0.4 Million.

Other finance charges consist mainly of Bank charges for EUR 1.2 Million.

6.2. Unaudited consolidated balance sheet

In EUR Thousand		
Unaudited Estimated Assets		
	31 December 2011	31 December 2010
NON-CURRENT ASSETS	1,194,992	1,204,255
Intangible assets	47,783	48,205
Investment property	872,316	888,036
Property, plant and equipment	156,865	237,851
Hotels and owner occupied buildings	142,659	222,563
Fixtures and fittings	14,206	15,288
Financial assets at fair value through profit or loss	40,741	30,049
Non current loans and receivables	77,265	-
Deferred tax assets	22	114
CURRENT ASSETS	512,284	698,050
Inventories	382,807	418,957
Trade receivables	36,139	34,349
Other current assets	32,085	59,105
Derivative instruments	0	0
Current financial assets	29	302
Cash and cash equivalents	37,095	53,439
Assets held for sale	24,129	131,898
TOTAL	1,707,276	1,902,305
Unaudited Estimated Equity and liabilities		
	31 December 2011	31 December 2010
EQUITY	279,341	355,969
Equity attributable to owners of the Company	267,408	303,056
Non controlling interests	11,933	52,913
LIABILITIES	1,427,934	1,546,336
Non-current liabilities	510,057	903,080
Bonds	163,380	235,667
Financial debts	239,225	526,991
Provisions & other long term liabilities	14,326	14,307
Derivative instruments	0	19,323
Deferred tax liabilities	93,126	106,792
Current liabilities	917,877	643,256
Current bonds	119,923	8,222
Financial debts	620,835	389,282
Trade payables	16,399	21,011
Advance payments	35,250	32,714
Derivative instruments	41,153	27,469
Other current liabilities	68,425	88,064
Liabilities linked to assets held for sale	15,892	76,494
TOTAL	1,707,275	1,902,305

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