



## PRESS RELEASE

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### Report on the first quarter of 2010

## **ORCO Germany with an increase in operating result and progress on asset disposal program**

- Operating result of €6.8 million vs. €-2.0 million in Q1 2009
- Company restructuring on track
- Asset disposal volume of €62.7 million

In the first quarter of 2010, ORCO Germany improved its operational result by €8.8 million to €6.8 million thanks to an acceleration of the operational restructuring and a further improvement of the leasing performance of the core business (GSG) despite a difficult market environment. Leasing revenues were up 4.2 % due to an improvement of the occupancy rate from 75.0% to 76.8% YoY and a 2.4% increase of the average commercial rent to 6.29€ per sqm (based on the commercial business line which represents 79% of the total GSG portfolio).

The net result of -€7.2 million has improved by €11.8 million compared to -€19.1 million (Q1/2009) but is still negative as financial charges are still exceeding the operating result in Q1/2010. Whereas the impact of lower interest charges as a consequence of asset disposals is not yet reflected in Q1/2010 numbers, the operating result is starting to reflect the positive impact of the restructuring efforts.

ORCO Germany has made significant progress on the announced asset disposal program:

In Q1/2010 the company managed to transfer or sell properties worth €62.7million at non distressed prices and at a premium to DTZ Valuation of Q4/2009. The total sales price exceeded the corresponding loans (€47.1 million) by €15.6 million leading to a reduction in annualized interest expenses of €2.6 million compared to rental income generated of €2.1 million. Not only will this have a positive impact on the P&L of the company but also strengthen the balance sheet by freeing up liquidity.

Assets sales contracted in Q1/2010 amounted to €41.5 million (7.6% above DTZ Valuation of Q4/2009). The disposals also include three non-strategic assets with a volume of €21.2 million which were sold in 2009 and accounted for in Q1/2010. These assets were sold €1.5m respectively 7.6% above DTZ Valuation of Q2/2009 and on the level of the adjusted DTZ Value of Q4/2009.

Further, on 5 May 2010 ORCO Germany announced the sale of a healthcare portfolio. The transaction volume amounted to about €40 million compared to bank liabilities of around €28,4 million and corresponded to a premium compared to the DTZ Valuation of Q4/2009.

Hence, as of today, ORCO Germany managed to sell more than €100 million from the announced disposal program of €230 million.

"Next to the good operating performance, we achieved a significant progress in the ongoing disposals of non-strategic assets and we are well on track with the restructuring of ORCO Germany." says Rainer Bormann, CEO of ORCO Germany.



GERMANY

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## Outlook

Even in a challenging environment Orco Germany's core business GSG was able again to increase both prices and occupancy rates. We expect this trend to continue in the near future.

In the last quarters the results of ORCO Germany were much affected by the fair value measurements of financial derivative instruments. We do not expect the interest rates to decrease further, which would stop the decline of fair values of derivative instruments.

ORCO will continue the announced disposal program. Most remaining asset disposals processes are far advanced and expected to be finalized in the coming months. At the end of the disposal process the company will have expected leasing revenues of € 59.2 million per year and corresponding financial charges of €25.8 million (without revaluation of financial instruments and bond interests). Over the course of 2010 the restructuring process will be completed and lead to recurrent economies of approximately €10 million excluding financial charges.

Once the refocusing and operational restructuring completed the main challenge will be the refinancing of the €100 million corporate bond and the €300 million loan for GSG both maturing in mid 2012. The already announced conversion of the € 17.6 million shareholder loan of ORCO Property Group S.A. at € 1.60 per share and the related issue of free warrants for existing shareholders will further support the stabilization of the Company and strengthen the equity basis. The approval by the stock exchange supervisory board for the conversion is expected to be obtained shortly.

The complete quarterly report can be downloaded at  
<http://www.orcogermany.de/quartalsabschlusse.html>.

## About ORCO Germany

ORCO Germany S.A. is a property company that is listed in the Prime Standard on the Regulated Market at Frankfurt Stock Exchange and has its registered office in Luxembourg. The ORCO Germany Group, which acts consistently under its registered name of ORCO Germany, has been operating in Germany since 2004 and concentrates on commercial property as well as on asset management and project development. ORCO currently has about 169 employees in Germany. ORCO Germany is a subsidiary of ORCO Property Group, which is one of the leading Central European property companies. The company established in 1991 is based in Luxembourg and has Euronext, Prague, Budapest and Warsaw Stock Exchange listings.

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