GSG GROUP

Financial information as at 30 June 2014
Luxembourg, 27 August 2014

Combination of GSG GROUP with CPI creating a new major real estate listed player in Central Europe with an EPRA NAV of EUR 1.7 billion and a total balance sheet of EUR 4.1 billion

Corporate highlights

- Capital increases: On 29 November 2013, the Board of Directors of GSG GROUP (at that time ORCO Germany S.A., hereinafter as the "Company" and together with its subsidiaries as the "Group") resolved to raise up to EUR 100 million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 26 April 2012. On 3 March 2014, the Board of Directors further resolved to increase its capital raising goal from EUR 100 million to EUR 126 million. Between December 2013 and April 2014 the Company raised EUR 105.3 million in three capital increases subscribed for in cash by some large shareholders of ORCO PROPERTY GROUP ("OPG") or their respective affiliates, namely Alchemy Special Opportunities Fund II LP, Société Générale, Stationway Properties Limited, an entity affiliated with Mr. Jean-Francois Ott and Tandis, a.s., an affiliated to Mr. Radovan Vítek. The subscription price was EUR 0.47 per share in each case.
- Acquisition of control over the Company and mandatory takeover offer: On 12 June 2014 Mr. Vítek (through his 100% owned entity Materali, a.s.) purchased the Company shares from Gamala and third parties (Aspley Ventures, Kamoro, and Stationway Properties Limited). As a result of these purchases Mr. Vítek increased his shareholding in the Company from 25.30 % to 71.29 %. Mandatory public takeover offer: On 24 July 2014 Materali, a.s. notified the Company about publication of a mandatory public takeover offer („Mandatory Offer") to the shareholders of the Company. The Mandatory Offer concerns the acquisition of the Company shares at the price of EUR 0.53 per share. The acceptance period for the Mandatory Offer is from 24 July 2014 to 21 August 2014. At the time of the publication of the Mandatory Offer Mr. Vítek directly or indirectly held 94.02% of the shares and voting rights in the Company. According to website of Materali, a.s. (www.materali.cz) the Mandatory Offer was accepted for a total of 35,447,176 Company shares (approximately 1.21 % of the share capital) as of the end of the acceptance period of 21 August 2014, at 24:00hrs.
- Contribution of Czech Property Investments, a.s. ("CPI") to GSG GROUP: Mr. Vítek proposed to the Board of Directors to join within the Company his fully controlled Central European real estate activities located within CPI. After approval by the Board of Directors, Mr. Vítek contributed 100% of the shares of CPI to the Company in exchange of 2,466,902,565 newly issued Company shares on 16 and 17 June 2014. Following this capital increase the shareholding interest of Mr. Vítek in the Company increased to 94.02 %. The combination of CPI and the Company has created a European real estate player with a well-balanced and diversified portfolio, which includes a wide range of properties located in the Czech Republic, Germany, Slovakia, Hungary, Poland and Romania.

- Change in the Board of Directors and management: During the General Meeting of shareholders of the Company held on 10 March 2014 the following directors were removed: Jean-François Ott, Brad Taylor, Nicolas Tommasini and Ales Vobruba and the following directors have been appointed: Edward Hughes, Martin Nemecek, Jean-François Ott, Tomas Salajka, Nicolas Tommasini and Radovan Vitek. Mr. Edward Hughes was appointed Chairman of the Board of Directors. On 18 March 2014, the new Board of Directors decided to implement further changes in the management structure by terminating the executive contracts of Jean-François Ott, Nicolas Tommasini and Brad Taylor, and agreeing to comply with their termination packages. The Board has appointed Martin Němeček as CEO and Managing Director, Edward Hughes as Chairman of the Board, and Tomáš Salajka as Deputy CEO and Secretary of the Board of Directors.

  Jean-François Ott and Nicolas Tommasini resigned from the Board as of 27 March 2014. During the General Meeting of shareholders of the Company held on 28 May 2014 the following directors have been appointed: Ian Cash, Philippe Magistretti, and Oliver Schlink. Ian Cash resigned from the Board as of 14 August 2014. As of the date of this report, the Board of Directors of the Company is composed of the following members: Edward Hughes, Philippe Magistretti, Martin Nemecek, Tomas Salajka, Oliver Schlink and Radovan Vitek.

  In July 2014, the Board of Directors decided to implement further changes in the management structure of the Group, notably integrating top managers of CPI and GSG GROUP into one management team, with the effective date as of 1 August 2014. Mr. Martin Němeček remains in the position of CEO. Mr. Tomáš Salajka previously Deputy CEO became Director of Asset Management and Sales. Mr. Zdeněk Havelka has been appointed Deputy CEO.

Investments

Most of the proceeds raised with the capital increases have been used in the investment and financing of various projects within all the segments of activities of the Group.

- Investments in Central Europe: Over the first half of 2014, the Group closed via CPI the acquisition of EUR 59 million additional real estate assets financed by EUR 40 million interest bearing liabilities.
  - Acquisition of 100% shares in Arena Corner Kft., a Hungarian company that owns 29,600 sqm of prime office premises in Budapest.
  - Acquisition of 100% shares in Kouge s.r.o. (further renamed to CPI Retail Portfolio VIII, s.r.o.) that owns 4 supermarkets with a total leasable area about 5,300 sqm in the north of the Czech Republic.
  - Acquisition of 100% shares Czech based company that owns 8,000 sqm of land designated for retail development located in Caslav, 30 kilometers from Prague.
- Berlin portfolio expansion: With the increasing occupancy of existing portfolio the Board of Directors validated a conservative expansion strategy by acquiring assets coherent with existing portfolio. In March 2014, the Group concluded the purchase of a 1,700 sqm property on Voltastrasse in close proximity to existing Group assets. In May 2014, the Group closed another acquisition contract for a 12,500 sqm asset in Kreuzberg which fits well to the existing Berlin portfolio. The total investment before refurbishment amounts to EUR 12 million. The acquisition has been partially financed through bank loan of EUR 8.0 million.
- Financial transactions :
  - The Company acquired receivables of two bank creditors of Suncani Hvar d.d. ("SHH") for a total investment of EUR 24 million and nominal value including accrued interests

of EUR 32 million. The receivables secured by mortgages have been later sold at nominal value allowing the Group to recognize a gain of EUR 9 million.

- The Company acquired a 50% share in Hospitality Invest S.a.r.l. ("HI") at a price of EUR 8.5 million representing a 10% discount to the acquired net asset value as of December 2013. The HI portfolio represents a unique collection of well-established luxury boutique hotels and all-suite residence hotels under Mamaison brand, mostly located in prime central locations of the CEE capitals. The Company has joined the partnership agreement with OPG. After this acquisition, the Company agreed to invest EUR 10.5 million into HI in exchange for a modified cash waterfall between the Company and OPG. The proceeds were further used for a partial repayment of the current bank financing. As a result, the Company and OPG jointly achieved the extension of the bank financing of EUR 62 million for one year.
- In June 2014, the Board of Directors decided to grant OPG a three months unsecured loan with an annual interest rate of 8%.

Capital markets' financing and investment strategy

GSG GROUP is looking for acquisitions in the Central and Eastern Europe, its main area of business, but also "high-end" projects further west in countries including France or Switzerland. The Board of Directors intends to raise capital looking for the best funds offers on the capital markets first with a long term financial partner and potentially in a second phase with a public offering. The funds raised will be used to finance acquisitions using opportunities from restructuring and to deleverage the Group.

- Acquisition of CPI bonds: In order to deleverage the Group, EUR 43 million of bonds issued by CPI consolidated subsidiary have been acquired before the end of June 2014. During the months of July and August, additional net acquisitions have been closed for EUR 6 million.
- Refinancing of the Berlin portfolio: With the improved operational performance and values, the Company has been studying the possibility to refinance existing mid-term bank loans with a long term financing to acquire additional funds for further enhancement of the new investment strategy. The issuance of bonds has been put on hold due to unsatisfactory market conditions and the Company is currently negotiating alternative refinancing options.

Financial highlights

All the figures commented in this press release relate to the pro forma presentation of the profit and loss statement of the Company as if GSG GROUP and Czech Property Investments, a.s. were combined as at 1 January 2013 (except if specifically specified otherwise).

Operating result

- Revenue increased by EUR 28 million to a total of EUR 110 million. Former Ablon and Endurance Fund assets, that were not consolidated over the first half of 2013, have contributed for EUR 19 million to the first half 2014 revenues.
- The net business income strongly improved from EUR 67 million to EUR 96 million with the decrease of the direct property expenses. The latter decrease is mainly due to lower maintenance costs recognized in the income statement on the residential portfolio.
- In the framework of the Berlin portfolio refinancing analysis, a new valuation report on Berlin investment properties delivered a total value increase by EUR 95 million. The change in value is driven by the improved market assumptions (mainly on ERV and yields) retained by the independent expert on the rental Berlin market.
- Administrative expenses increased by 55% to EUR 14 million over H1 2014 (EUR 9 million over the same period in 2013). The exceptional management termination costs for EUR 3 million, of which EUR 2 million paid in kind, was the main contributor to that increase. The Company expects major savings from the restructuring of the management. After elimination of this one-off impact the increase in administrative expenses corresponds mainly to the integration of the Ablon activities in Hungary.
- Over the first six months of 2014, the Group has generated EUR 82 million of funds from operations (EUR 57 million over the same period in 2013), corresponding mainly to the operating results corrected from the non-cash valuation differences and non-recurring gains and losses.

Financial result

Total net financial result dropped from net income of EUR 2 million over H1 2013 to net loss of EUR 19 million over H1 2014. The net interest expenses have increased from EUR 18 million to EUR 32 million as a result of combined increase of interest expenses by EUR 7 million reflecting mainly additional costs of financing in respect of Group's investments and a decrease in interest income by EUR 7 million after the repayment in 2013 of loans provided by the Group.

The other net financial results are also decreased with a profit EUR 12 million as of end of June 2014 compared to EUR 21 million over H1 2013. Over H1 2014 the Group recognized EUR 17 million gain on acquisition and further resale of discounted receivable. Mainly two operations were closed. The first one with a gain of EUR 9 million on receivables acquired from two banks creditors of SHH and subsequently sold at nominal value. On the second transaction, relating to the acquisition and resale of discounted bank loans in the Czech Republic, the Group recognized a profit of EUR 8 million. The profit on these receivables' transactions was partially offset by the loss on revaluation of interest derivatives for EUR 3 million and expenses on financial advisory services for EUR 3 million.

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Net Profit

Net profit attributable to the shareholders of the Company amounts to EUR 112 million compared to EUR 54 million over the first half of 2013.

Net Asset Value (NAV)

After the major business combination and the related issuance of shares, EPRA Net Asset Value strongly increased from EUR 325 million as reported to EUR 1,693 million.

Management report on the operations and the financial information for the first half of 2014 is available on:

http://www.gsg-group.de/investors/financial-documentation/half-year-documents

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