

Interim Report as of 31 March 2014

2 June 2014

Major Transaction and Improvement of Financing Standing through Growth of Property Investment Values

I. Corporate highlights

- Capital Increases: In March and April 2014, capital increases raising a total of EUR 51 million have been subscribed in cash by Stationway Properties Limited, an entity affiliated with Mr. Jean-Francois Ott, and by two other shareholders of ORCO PROPERTY GROUP S.A. (Alchemy Special Opportunities Fund II LP and Société Générale). The subscription price was EUR 0.47 per share. Since December 2013, GSG GROUP (also the “Company”) has raised EUR 105 million. The share capital of the Company is now EUR 45,392,133.90 represented by 453,921,339 shares. These capital increases mark an important change in the capital structure of the Company.
- GSG GROUP: The Extraordinary General Meeting of shareholders held on 13 May 2014 resolved to change the Company’s name from ORCO GERMANY S.A. to GSG GROUP. The Company will thus be able to use a brand which is well known and established on the Berlin market.
- Change in the Board of Directors: In March 2014, the General Meeting of shareholders resolved to remove Mr. Brad Taylor and Mr. Aleš Vobruha, to reappoint Mr. Jean-Francois Ott and Mr. Nicolas Tommasini and to appoint Mr. Radovan Vitek, Mr. Edward Hughes, Mr. Martin Němeček and Mr. Tomáš Salajka as new Board members. Mr. Edward Hughes was appointed Chairman of the Board of Directors.
- Change in the Management: The new Board of Directors resolved to terminate the executive management positions of Mr. Jean-Francois Ott, Mr. Nicolas Tommasini and Mr. Brad Taylor within the Company and to appoint Mr. Martin Němeček as the new CEO and Mr. Tomáš Salajka as the new Deputy CEO of the Company. Following the change, Mr. Jean-Francois Ott and Mr. Nicolas Tommasini resigned from the Board of Directors. The change of the executive management resulted in extraordinary expenses related to the termination of the former management of EUR 3.0 million, of which EUR 1.9 million was paid in kind. The expenses are fully recognized in the employee benefits of the first quarter of 2014. The Company expects further savings related to on-going management benefits in the future.
- Berlin portfolio expansion: Having considered the positive outlook for the existing Berlin portfolio, the Board of Directors validated a conservative expansion strategy by acquiring assets coherent with the existing portfolio.
 - In March 2014, GSG Berlin concluded the purchase of a 1,700 sqm property on Voltastrasse in close proximity to the existing GSG Berlin’s assets.
 - In Q1 2014, GSG Berlin signed (with an expected closing in Q2 2014) a further acquisition contract for a 12,500 sqm asset in Kreuzberg which fits well to the existing Berlin portfolio of GSG Berlin. The total investment amounts to EUR 11.7 million (net of transaction costs and excluding refurbishment). The Company intends to arrange for a bank financing in the amount of EUR 8.0 million prior to the closing of the transaction.

- Acquisitions outside Berlin: In line with the above mentioned expanded investment strategy the Company announced two transactions after the end of Q1:
 - In March and May 2014, the Company acquired receivables of two bank creditors towards Suncani Hvar d.d. ("SHH") for a total purchase price of EUR 24 million and nominal value, including accrued interests of approximately EUR 32 million. The receivables are secured mainly by mortgages on hotels of SHH located on the Island of Hvar, Croatia.
 - Over the Q2 2014, the Company acquired a 50% share in Hospitality Invest S.a.r.l. at a purchase price of EUR 8.5 million, representing a 10% discount to the acquired net asset value as of December 2013. The Hospitality Invest portfolio represents a unique collection of well-established luxury boutique hotels and all-suite residence hotels known as Mamaison, located mainly in prime central locations of the CEE capitals. The remaining shareholder in this venture is ORCO PROPERTY GROUP ("OPG"). The portfolio is subject to refinancing with Erste Bank with a probable partial repayment of the loan by the end of June 2014. GSG GROUP, in consideration for the equity to be provided for this partial loan repayment, will negotiate the takeover of the managerial control over the Hospitality Invest portfolio.
- Refinancing of the Berlin portfolio: With the improved operational performance and values, the Company is 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 and expansion of the Company.

II. Financial highlights

Improved fair values and sustainable good operational performance of rental portfolio result in a net profit of EUR 61.9 million.

In the context of its long term refinancing study, the Company has commissioned a valuation of its portfolio at 31 March 2014. Following the proposal of its financial and legal advisers, the Company organized a tender to select a suitable valuation expert. CBRE was chosen to perform such valuation.

Operating result

- GSG GROUP continues to improve its operating performance with total revenue over the first quarter of 2014 increasing year on year by 3.3% to EUR 16.1 million including service charges to tenants (compared to EUR 15.5 million over Q1 2013).
- Employee benefits rose from EUR 1.6 million in Q1 2013 to EUR 4.6 million in Q1 2014 as a result of the termination of the previous management and related compensation expenses.
- Operating expenses remain stable compared to the previous year thanks to the tight cost control with only smooth increase of EUR 0.3 million reaching the total of EUR 7.5 million for Q1 2014 mainly as a result of the maintenance and utilities expenses for EUR 0.3 million.
- Over the first quarter of 2014, GSG GROUP achieved a positive operating result of EUR 100.1 million to be compared to EUR 6.2 million for the same period of 2013. This increase is mainly due to EUR 95.5 million valuation gains recognized over the Q1 2014.
- The Adjusted EBITDA is impacted by the exceptional termination indemnities, going down from EUR 7.1 million in the Q1 2013 to EUR 4.2 million in the Q1 2014. Excluding the negative

impact of exceptional termination expenses, the Adjusted EBITDA would slightly increase to EUR 7.2 million owing to the growth of rental revenue income.

- Compared to December 2013 the market value of GSG GROUP investment properties increased strongly by EUR 95.5 million. The change in value is mainly driven by the improved assumptions (principally on ERVs and yields) retained by the independent expert based on their view on the rental Berlin market and the GSG GROUP properties.

Financial result

- Interest expenses YoY further decrease from EUR 3.1 million to EUR 2.9 million.
- Other net financial losses of EUR 1.9 million are driven by revaluation losses of EUR 1.8 million on interest derivative instruments hedging the portfolio of bank loans against interest rate risk.

Net Asset Value (NAV)

- Compared to year-end 2013 the total EPRA Net Asset Value strongly increased from EUR 324.8 million to EUR 456.1 million. This improvement is explained by the value increase of the properties and the capital increases. The NAV per share increased despite the issuance of new shares from EUR 0.94 to EUR 1.08.

III. Consolidated income statement for the period ended 31 March 2014

	3 months 2014	3 months 2013
Revenue	16,050	15,536
Net gain from fair value adjustments on investment property	95,488	-
Other operating income	325	320
Employee benefits	(4,645)	(1,555)
Amortisation, impairments and provisions	405	(882)
Operating expenses	(7,523)	(7,212)
Operating result	100,100	6,207
Interest expenses	(2,904)	(3,057)
Interest income	750	498
Other net financial results	(1,912)	1,094
Financial result	(4,067)	(1,465)
Profit before income taxes	96,033	4,741
Income taxes	(33,986)	(467)
Net profit for the period	62,047	4,274
Total profit/ (loss) attributable to:		
Non controlling interests	155	(7)
Owners of the Company	61,892	4,281

IV. Outlook

The Company announced its intention to invest EUR 60 million within 12 months with certain investments already concluded or in advanced negotiations. The Board of Directors resolved to expand GSG GROUP investment strategy respecting the following three general investment principles:

- Focus on stable income-generating real estate assets or real estate assets acquired opportunistically at a distressed price (investment profile includes financial products derived from any kind of real estate assets).
- Geographic diversification from Germany to the CEE region and Western Europe.
- Strategic diversification with investment in all standard real estate groups from core to opportunistic as well in all real estate-based commercial deals from office to agricultural land.

Management remains dedicated to the development of its Berlin portfolio and committed to implementation of the new Company's investment strategy. The Property Investment business line forms the backbone of our business activities and might be enriched by potential single acquisitions offering additional growth potential. Attractive investment opportunities offering prospered margins might be seized in a case by case study to comply with the settled strategy of growing our business.

Going forward the improved operational performance is intended to be subsequently backed by lower incurring administrative costs to operate the portfolio at an optimized cost ratio level.

V. Proposed Transaction - Czech Property Investments a.s. ("CPI")

On 31 May 2014, the Company and Mr. Radovan Vitek (sole shareholder of CPI) signed Heads of Terms related to the subscription by Mr. Vitek of 2,466,902,565 new ordinary shares of the Company at the subscription price of EUR 0.47 per share or EUR 1,159,444,205.55 in aggregate. The new shares will be issued under the existing authorized share capital of the Company. The subscription price will be paid up by contribution in kind of 100% shares of CPI. The value of CPI under EPRA standards is EUR 1,159,446,560.

The transaction was approved by the Board of Directors of the Company on 27 May 2014 and is subject to various conditions and due diligence, including, but not limited to, the final agreement, legal documentation, independent valuation of the contribution in kind, and regulatory approvals. The Company targets to execute the transaction and proceed with the capital increase and issue of the new shares by the end of June 2014. As a result the Company will establish a consolidated balance sheet including CPI for the purpose of the financial information as at 30 June 2014.

As of today, GAMALA LIMITED, an entity closely associated with Mr. Vitek, holds approximately 25.3% of the shares and voting rights in the Company. Following the completion of the transaction, Mr. Vitek will control approximately 85% shares and voting rights in the Company.

The implementation of the transaction will trigger the obligation of Mr. Vitek and/or his affiliated entity(ies) to launch a mandatory take-over offer in which process Mr. Vitek's shareholding of the Company might increase further. The Company will ensure the fair treatment of all shareholders in the process.

Mr. Vitek commented on the transaction: *"It has been my intention to take CPI public for some time. GSG GROUP is a stable company with a quality portfolio and an established reputation. Further its shares are traded on the Frankfurt Exchange. The new GSG GROUP, with its large combined portfolio will create a sector champion in European Real Estate. This new entity will become my prime*

investment vehicle. I will now devote my time and energy to GSG GROUP and look at the possible ways to seek fresh equity for the Company on the stock market.”

Mr. Němeček, CEO of GSG GROUP said: “This transaction will allow the Company to grow its balance sheet to approximately EUR 4.2 billion and its EPRA NAV to approximately EUR 1.6 billion, assuming also full consolidation with Mamaison Hospitality Invest portfolio. In 2014, we expect consolidated pro-forma revenues from yielding assets to reach some EUR 250 million. The Company will rank among the top listed real estate players on the European market with a well-balanced and diversified portfolio. GSG GROUP has negotiated a share only deal to acquire CPI, and in doing so has significantly increased the Company’s size and reach, leaving cash from recent capital increases available for further expansion. GSG GROUP’s management looks forward to working closely with Mr. Vitek and other shareholders to ensure further successful development of GSG GROUP’s balance sheet and profitability.”

About GSG GROUP

GSG GROUP (formerly named ORCO GERMANY S.A.), is a property company listed in the General Standard on the Regulated Market at Frankfurt Stock Exchange and has its registered office in Luxembourg. GSG GROUP has been operating in Germany since 2004 and concentrates on commercial property, project development and asset management especially in Berlin. With its subsidiary Gewerbesiedlungs-Gesellschaft (GSG), GSG GROUP is the largest lessor of commercial property in the Berlin area.

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