Orco Property Group - May 2O, 2009 -

Press Release: Non audited First Quarter Results

Q1 highlights :

- 16,3% increase in Turnover to € 54,8 Million, backed by stable rents and resilient residential market in the Czech Republic.
- Personnel costs and other opex decrease by 11%, illustrating the first effects of the restructuring plan.
- Adjusted EBITDA amounts to € 9,4 Million vs € 7,4 Million in Q1 2008. The EBITDA increases in spite of lower asset sales prices and the cost of the safeguard showing that the operational profitability of the activities is improving.
- Net result amounts to €-45,7 Million, affected by deeply negative financial result. Interest expenses amount to € -21,5 Million. Non cash losses on foreign exchange account for €-17,9 Million and non cash other financial results (mainly fair value of financial instruments) for € -21,9 Million.
- Management team continues to implement the restructuring plan focused on cash generation and cash preservation for its mother company Orco Property Group SA.

Recent events :

- The safeguard procedure opened for Orco Property Group SA by the Commercial Court of Paris on March 25, 2009 provides a formal, professional and transparent framework which defines and facilitates discussions with creditors. On May 15th, a message to bond holders was sent in order to encourage their registration. Bondholders are currently being identified, and first reviews will be organized over the coming weeks.
- The company is holding reviews with most of its creditor banks. Progress is constantly being made on the financing side thanks to constructive discussions with banks. For Zlota, Orco Property Group is studying a possible mezzanine financing. For Vysocany Gate, the Prague team negotiated the extended vendor financing till the completion of the project with Skanska Bank. This agreement provides visibility to potential tenants and should ease the lease of the available part of the building. 20% of the building was pre-rented to KB Bank expected to move in by August 2009.
- On April 29, 2009, Orco Property Group and Colony Capital entered into exclusive negotiations on a reserved share capital increase. Due diligence is currently on schedule.

A message from Jean-François Ott, Ceo and chairman of Orco Property Group

The first quarter results should be viewed in perspective of the restructuring plan originated by management in order to optimize the cost structure of Orco Property Group, founded on a secured rental income base. Real estate markets in Central European are unlikely to recover in 2009. Poland and the Czech Republic are resisting better than Slovakia and Hungary but overall, the values of stabilized buildings should not increase in 2009. In this adverse environment, our focus is on revenue generation. This is clearly demonstrated by the 16,3% growth in revenues in Q1. Despite the economic environment, we are confident that our strategy will create long term value for our ongoing developments by securing financing and actively marketing of the buildings as fundamental demand still exists.

I) Non audited first quarter financial review

A) Profit & Loss Statement (in K€)

	March 2009	March 2008
Revenue	**54,847**	**47,156**
Net gain/(loss) from fair value adjustments on investment property	-5,766	9,395
Other operating income	3,791	676
Net gain/(loss) on disposal of assets	-1,030	1,689
Cost of goods sold	-20,484	-8,703
Employee benefits	-11,765	-12,916
Amortisation, impairments and provisions	-2,116	-3,737
Other operating expenses	-18,842	-21,600
Operating result	**-1,365**	**11,961**
Interest expenses	-21,560	-20,044
Interest income	3,395	2,613
Foreign exchange result	-17,965	-4,001
Other net financial results	-21,906	-8,023
Financial result	**-58,036**	**-29,455**
Profit/(loss) before income taxes	**-59,401**	**-17,494**
Income taxes	2,202	5,940
Net profit/(loss)	**-57,199**	**-11,554**
Attributable to minority interests	11,470	-1,232
Attributable to the Group	**-45,729**	**-12,786**

1. Turnover

The turnover for the period amounts to € 54,8 Million vs € 47,1 Million in Q1 2008. Germany accounts for € 17 Million of this total. This increase is linked to the higher contribution of the development activity thanks to the hand over of 105 units during the period.

Residential development

The turnover amounts to € 28,7 Million with 105 units delivered, compared to € 14.8 Million in Q1 2008 with 87 units delivered. Czech Republic accounts for € 16,7 Million, Germany for € 4,5 Million and Poland for € 3,3 Million. The margins on apartments delivered in first quarter are maintained as they were secured by PFCs signed in 2008.

During Q1, 65 new Forward Purchase Contracts (FPC) were signed (vs 157 in Q1 2008) bringing the total backlog to 556 units (2009-2011). Though the residential market is slowing down especially in Bratislava, the group continues to find demand especially in the Czech Republic and to a lesser extend in Warsaw. It also appears that banks are starting to lend more to the residential clients, however, with larger down payments input from 20 to 30% of total acquisition price. For example, 72% of Citadella project (100 units to be delivered in June in the Czech Republic) is now sold. In Warsaw, the 324 units of Szafirowa Aleja are almost all sold (10 units left) and 11 units were sold and delivered during the quarter. Finally, the group has secured the financing of Klonowa Aleja, providing more visibility on the project and this should facilitate the sales effort.

Leasing

Total leasing was € 24,1 Million below Q1 2008 (€ 27 Million). The figure takes into consideration the full contribution of GSG and Molcom (as in Q1 2008) and the rents lost due to the asset sale program realized in 2008.

Asset Management

The Endurance Management Company collected € 2,1 Million in fees vs € 4 Million in Q1 2008. Capital calls have been sent to investors to cover the payment of these fees. No new acquisition was realized by any of the fund over the period affecting the acquisition fee.

Hospitality

Including both our stake in the Orco Central European portfolio and Suncani Hvar, the turnover was € 3,1 Million vs € 5,1 Million in Q1 2008. The drop is explained by a severely depressed trading in all of the key markets in the first quarter 2009 exacerbated by a dramatic decline in foreign visitors especially from key feeder markets such as the US and the UK. On Central European portfolio comprised of 980 rooms, ADR was € 95.71 compared to € 118.86 in Q1 2008 and €115.75 in Q1 2007, Rev Par was € 42.78 compared to €63.21 in Q1 2008 and € 51.43 in Q1 2007, and the occupancy rate was 44.7% compared to 53.2% in Q1 2008 and 54.9 % in Q1 2007. As for Suncani Hvar resort portfolio in Croatia, the season has not yet started and the contribution is therefore not significant (€ 0,18 Million).

2. **Increase in adjusted EBITDA (in K€)**

As at 31 March 2009	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	28,716	3,101	24,131	2,100	-3,201	**54,847**
Net gain from fair value adjustments on investment property	-5,766	-	-	-	-	**-5,766**
Cost of goods sold	-21,463	-28	1,007	-	-	**-20,484**
Amortisation, impairments and provisions	-220	-865	-1,028	-3	-	**-2,116**
Other operating results	-6,331	-5,952	-17,413	-1,348	3,199	**-27,847**
Operating result	**-5,064**	**-3,744**	**6,697**	**748**	**-2**	**-1,365**
Financial result						-58,036
Profit before income taxes						**-59,401**
Income taxes						2,202
Net profit						**-57,199**
Attributable to minority interests						11,470
Attributable to the Group						**-45,729**
Operating result	**-5,064**	**-3,744**	**6,697**	**748**	**-2**	**-1,365**
Net gain on fair value adjustements	5,766	-	-	-	-	5,766
Amortisation, impairments and provisions	220	865	1,028	3	-	2,116
Correction of cost of goods and assets sold	118	-	2,797	-	-	2,915
Stock options	-	-	-	-	-	-
Adjusted EBITDA	**1,040**	**-2,879**	**10,521**	**751**	**-2**	**9,432**

Adjusted EBITDA amounts to € 9,4 Million vs € 7,4 Million in Q1 2008.

Positive news come from the maintained contribution of GSG to € 5,4 Million. All the sectors excluding hospitality contribute positively to EBITDA. The increase of cost of goods sold is linked to the increase of the delivery of the development activity which doubled over the two periods (development turnover at € 28,7 Million in first quarter 2009 vs € 14,8 Million in first quarter 2008). The margins on the development are maintained around 18%.

EBITDA takes into account a positive contribution of asset sales amounting to € 1,8 Million (cash profit as the group made a gain on the acquisition costs even if the assets were sold at 92% of DTZ value as at December 2008). The same amount was booked in adjusted EBITDA for Q1 2008.

In conclusion, the EBITDA increases in spite of lower asset sales prices and the cost of the safeguard. This shows that the operational profitability of the activities is improving as a result of the restructuring program.

3. Net result on fair value adjustment

The € 5,7 Million fair value adjustment corresponds to a decrease in value of Wertheim in Berlin for which the group is proceeding to a new valuation. Today, the value of Wertheim amounts to € 90 Million.

4. Employee benefits

The employee benefits are slightly decreasing but this figure hides two opposite trends : one the one hand, the reduction of number of employees generate € 0,7 Million savings. On the other hand, capitalization of costs at project level has decreased especially in Germany. Consequently, the proportion of employee costs booked in employee benefits increased.

5. Other operating expenses

Overall, opex have been reduced by € 2,8 Million in spite of significant professional fees paid during the first quarter related to the safeguard process (€ 1 Million). Have these exceptional fees not been paid, savings would have amounted to € 3,8 Million. The delay in adjusting human resources to the reduction of projects is expected to be eliminated in second quarter as operational teams are reduced further across the board.

6. Net result stands at € -45,7 Million

Net result stands at € -45,7 Million vs € -12,7 Million in first quarter 2008 affected by strongly negative financial result. Interest expenses amount to € -21 Million. On going interests payments on bonds are suspended since the opening of the Safeguard.

The Other financial result takes into account the mark- to -market of derivatives instruments including interest swaps and non cash losses on HUF accumulation contract. The embedded value of the options of the bonds is stable.

The loss on foreign exchange is non cash. It corresponds to the potential loss linked to the mark –to-market of the debt labeled in euros in Hungary and Poland, two countries in which local currencies significantly dropped over the period. But, it is worth mentioning that as far as the Zloti is concerned, the trend is reversed on second quarter.

B) Balance Sheet (in k€)

Assets		
	March 2009	December 2008
NON-CURRENT ASSETS	**1,670,387**	**1,710,798**
Intangible assets	**55,815**	**57,074**
Investment property	**1,171,053**	**1,211,718**
Property, plant and equipment	**350,229**	**363,973**
Hotels and own-occupied buildings	236,316	245,273
Fixtures and fittings and other equipments	17,082	19,027
Properties under development	96,831	99,673
Financial assets at fair value through profit & loss	**86,338**	**70,681**
Deferred tax assets	**6,952**	**7,352**
CURRENT ASSETS	**732,092**	**755,124**
Inventories	543,118	529,827
Trade receivables	38,985	36,962
Other receivables	80,734	97,248
Derivative instruments	6,750	5,098
Current financial assets	1,479	2,190
Cash and cash equivalents	61,026	83,799
TOTAL	**2,402,479**	**2,465,922**

Equity and liabilities		
	March 2009	December 2008
EQUITY	**348,738**	**427,663**
Shareholders'equity	**246,249**	**306,445**
Minority interests	**102,489**	**121,218**
LIABILITIES	**2,053,741**	**2,038,259**
Non-current liabilities	**1,501,508**	**1,468,366**
Bonds	448,748	429,437
Financial debts	860,108	826,483
Provisions & other long term liabilities	14,847	29,625
Derivative instruments	16,399	14,917
Deferred tax liabilities	**161,406**	**167,904**
Current liabilities	**552,233**	**569,893**
Financial debt	292,038	309,836
Trade payables	58,139	59,518
Advance payments	57,140	61,120
Derivative instruments	52,847	38,382
Other current liabilities	92,069	101,037
TOTAL	**2,402,479**	**2,465,922**

1. Inventories increase

Inventories do not mainly correspond to unsold stock but to buildings under development and to be sold at delivery. The increase of inventories shows that Orco still invests in its pipeline though the allocation of capex is following a strict selection process (for more details, see Press Release of April 7th 2009). Three main contributors: Sky Office for € 17,3 Million with financing amounting to € 13 Million, H2O in Duisburg for € 5,2 Million with financing amounting to € 1,6 Million, and Zlota with € 3,5 Million with financing amounting to € 3,1Million.

2. Debt

Initial indications are that safeguard will facilitate the restructuring of the debt, encouraging banks to find solutions at the SPV level. Progress is constantly being made on the financing side thanks to constructive discussions with banks. For Zlota, Orco Property Group is studying a possible mezzanine financing. For Paris Department Store, the retail part is now rented at 100% and occupancy permit has been delivered. Orco Property Group is negotiating with the bank in order to have it finance an improvement of the loan to value ratio which would limit Orco's equity injection. The same mechanism is envisaged for Vaci One which would allow Orco Property Group to pay invoices based on a prorata till the delivery. Finally, for Vysocany Gate, the Prague team negotiated the extended vendor financing till the completion of the project with Skanska Bank. This agreement provides visibility to potential tenants and should ease the lease of the available part of the building. 20% of the building was pre rented to KB Bank expected to move in by August 2009.

3. Asset sales

During the first quarter, the group realized € 32 Million of assets sales (out of which € 24,2 Million in Germany) at 92% of December 2009 DTZ valuation, generating a cash inflow of € 14,8 Million.

The group completed the sale of Origo in Hungary for €5,7 Million to be booked in second quarter, there was no bank loan on this project. The immediate cash inflow will be € 4.7 Million.

II) Recent events

Message to bond holders

The group sent a message to bondholders to invite them to register their liability with the creditor's representative. This message can be found on www.Orcogroup.com.

Orco Property management sold

Orco Property Management is being sold to TVO Global Partners, a subsidiary of TVA Groupe LLC, a global Chicago-based real estate firm operating on the US market and increasingly in Europe and the Gulf region. TVO Global Partners' acquisition of Orco Property Management will boost TVO Global Partners' presence in commercial and residential real estate, notably in the Czech Republic, Slovakia, Poland and Hungary. Orco Property Group will receive € 0,56 Million during second quarter 2009 and € 1,9 Million along the two coming years based on the execution of property management contracts secured by Orco Property Management.

This sale is an illustration of the restructuring plan of Orco Property Group as the property management activity was human resources intensive and generated low profitability. It is to be noted that services companies are not included in the NAV of the group which is purely real estate.

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Communication calendar

Publication of audited full year results: June 10, 2009 after market close

For more information, visit our Shareholder corner on www.orcogroup.com, or contact:

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