Press Release

26 May 2011

Orco Property Group - Q1 2011 financial information

Quarter financial highlights (year to year):

- **Lower revenues to EUR 39 Million**
- **Higher operating result to EUR 5 Million**
- **Reduced net loss at EUR 4 Million**

Key recent achievements:

- Ongoing constructions and sales of assets strategically positioned in prime location:

  - Leipziger Platz, central Berlin: sold at a net price of EUR 89 Million with additional payment of EUR 30 Million after finalizing of the project.

  - Zlota 44, central Warsaw: completion scheduled for December 2012.

  - Vaci1, central Budapest: construction at 90% complete, tenant's fit-out works started.

  - Mostecka, central Prague: 34 units ready for delivery.

- April 2010 capital increase validated.

- Settlement of dispute in progress with Croatian Privatization Fund ("CPF") over the future of Suncani Hvar with first payment occurred in April 2011.

Q1 2011 real estate market update:

Warsaw and Berlin's commercial markets seem to have bottomed up and prime rents are starting to increase according to DTZ. Meanwhile, Prague and Budapest are still challenging as incentives are required by new tenants and landlords remain under pressure.

With the exception of Berlin, supply level of office spaces is low in Q1 2011 in Central Europe as in the previous quarters. A decrease of vacancy rate is expected in the coming months while an increase in take-up is recorded. Over Q1 2011, vacancy rates remained stable or marginally increased (Prague, Budapest, Berlin) and decreased in Warsaw.

Housing markets in Prague, Warsaw and Bratislava are now recovering slowly, improving the outlook of developers' activity. In the Czech Republic, Slovakia and Poland demand is supported by favorable mortgage conditions and should exceed 2010 level. Demand is growing in Prague (+17% y-o-y) and the Czech government plan to increase gradually VAT in 2012 and 2013 is expected to temporarily fuel demand in 2011. In Slovakia, volume of sold apartments raised as the developers dropped their prices significantly. In Q1 2011, prices decreased slightly in Prague (-1.5% q-o-q), Bratislava (-1.1% q-o-q) and remained stable in Warsaw[1]. Prices are expected to remain under pressure in the Czech Republic and Slovakia. In Warsaw, the demand should benefit from positive demographic growth.

The stabilization of the Russian economy in 2010, with growth of 4.0%, saw a level of confidence return to the real estate investment market. Domestic investors continued to predominate. The volume of transactions was still low in 2010 compared with the pre-crisis years 2008. There were 27 investment deals in 2010, compared with 50 in 2008. The average deal size was approximately EUR 80 Million.

I. Unaudited Profit and Loss Statement

In EUR Thousand	3 months 2 011	3 months 2010	Q4 2010
Revenue	**39 146**	**51 484**	**86 417**
Net gain /(loss) from fair value adjustments on investment property	0	0	-668
Other operating income	514	622	781
Net result on disposal of assets	433	121	409
Cost of goods sold	-6 866	-17 465	-53 573
Employee benefits	-10 171	-10 327	-12 811
Amortisation, impairments and provisions	-1 220	-2 692	311
Other operating expenses	-16 425	-16 723	-21 805
Operating result	**5 411**	**5 020**	**-938**
Interest expenses	-20 441	-25 027	-22 885
Interest income	1 336	1 616	2 293
Foreign exchange result	7 038	4 750	-294
Other net financial results	5 516	-7 030	10 476
Financial result	**-6 551**	**-25 691**	**-10 410**
Profit/(loss) before income taxes	**-1 140**	**-20 671**	**-11 347**
Income taxes	-1 981	-294	-3 025
Net profit/(loss) for the year	**-3 121**	**-20 965**	**-14 372**
Total profit/(loss) attributable to:			
non controlling interests	1 252	-5 366	-5 840
Group share	**-4 373**	**-15 599**	**-8 532**

Due to lower residential sales as a result of the group repositioning on development of prime locations only, revenues decreased to EUR 39.1 Million from EUR 51.5 Million over the same period in 2010. However, the improvement of the operating performance and the financial result over the first quarter allowed reducing the loss from EUR 15.6 Million in Q1 2010 to EUR 4.4 Million in Q1 2011.

[1] Source: Czech Statistics Office, National Bank of Slovakia, Rednet Property.

A. Revenues by segment

The development business line is the main driver of the EUR 12.4 Million decrease in revenues year on year with residential sales suffering from a strongly negative base effect (EUR 6.7 Million in Q1 2011 compared to EUR 19.6 Million in Q1 2010) due to the recent completion at that time of numerous projects.

In EUR Million	Development	Asset Management	TOTAL
Revenues Q1 2011	9,0	30,1	39,1
Revenues Q1 2010	22,1	29,4	51,5
Variation YoY	**-13,1**	**0,6**	**-12,4**
Q4 2010	55,8	30,6	86,4
Variation QoQ	**-46,8**	**-0,5**	**-47,3**
*Revenues Q1 2010 (previous allocation)**	*22,4*	*29,1*	*51,5*

*In 2010, the methodology of segment reporting has been revised. Revenue and costs are now allocated at project's level instead of SPV level as some multi projects SPV were related to both Development and Asset Management. Previous amounts are given here for comparison purpose.

a. Development business line – Residential & Commercial

Development business line's ongoing constructions and sales reflect the group repositioning on prime location and quality development. The Group's pipeline of projects currently made of Bubny, Zlota 44, Mostecka, Radischevkaya and Sky Office is designed to match the current appetite of the market for first quality assets.

- **Residential developments**

The residential development sales have decreased from EUR 19.6 Million over the first three months of 2010 to EUR 6.7 Million in 2011. Over the first three months of 2011, 38 units have been delivered compared to 125 over the same period in 2010. This decrease is the consequence of the near absence of launches of new residential projects during the years 2009 and 2010.

Main developments contributing to the revenues are Nove Dvory (EUR 1.1 Million), Kosic (EUR 1.0 Million), Bedrichov (EUR 1.1 Million), Michle (EUR 0.5 Million) and Benice (EUR 0.4 Million) in the Czech Republic, Koliba (EUR 1.1 Million) in Slovakia and Drawska (EUR 0.4 Million) in Poland.

Over Q1 2011, Mostecka and the new phase of project Benice in Prague recorded their first deliveries.

The current backlog of projects under construction amounts to 354 units including an order backlog (units covered by a future purchase or a reservation contract) of 100 units. This includes 91 units in the Czech Republic including an order backlog of 13 units, 251 units in Poland including an order backlog of 87 units and 12 units in Croatia.

Yet, as of March 2011, the inventories include 276 completed residential units (Poland 141 units, Czech Republic 88 units, Slovakia 47 units), in total value of EUR 52.6 Million with a remaining bank debt of EUR 9.4 Million. The order backlog on completed units (units covered by a future purchase or a reservation contract) represents 55 units.

Zlota 44, a luxury high-rise building with 251 apartments in central Warsaw, is iconic of the Group's strategy of focus on prime asset and location. It saw its construction work restarted during Q1 2011. 30% of the structure is now completed with the concrete structure of the 26th floor achieved and construction work keeping up at a pace of a new level every week. The appointment of a new general contractor allowed EUR 19.7 Million cost reduction and improved specifications (façade glazing, etc.). Sales re-opening were postponed to allow market awareness of the resumption of works. Marketing of the project's units is now supported by a new state-of-the-art website offering future customers a reality-like experience of their new home (http://www.zlota44tower.com). Completion of the project is scheduled for December 2012.

- **Commercial developments**

During the first three months of 2011, commercial development revenues are stable compared to last year over the same period (EUR 2.3 Million). The main contributors are Sky Office for EUR 2.0 Million and H2 Office EUR 0.3 Million.

High-end Sky Office building developed by the Group in Düsseldorf has a Group's target sale price in the range of EUR 145 Million to EUR 155 Million. The asset is currently actively marketed by the Group.

The Vaci 1 department store project, located on the main high street square of Budapest, with an entire area of 22,737 sqm GFA and 11,378 sqm GLA, is to reach construction work completion end of May 2011. Tenant's fit-out works started beginning of March 2011. This prime retail emporium development will be finalized with a grand opening in the autumn of 2011. The project is currently pre-leased or under advanced negotiations at 65% with internationally renowned retail chains and brands.

In Prague, urban study for Bubny Master plan change is now finished and negotiations with municipality are ongoing. The approval of the master plan change by the city council is expected in July 2011. Once this step is achieved, the process before issuance of the new master plan is expected to take up to 18 months. The project is expected to reach a minimum of 620,000 sqm GEFA total including an anchor of 100,000 sqm of shopping mall for which Orco is focused on sealing a joint venture with a well recognized retail developer.

b. Asset Management business line - Commercial properties

First quarter revenues from Asset Management business line (asset rental, hospitality and asset management of Endurance Fund) reached EUR 30.1 Million compared to EUR 29.4 Million as of March 2010.

- Rental and asset management

Rental and asset management revenues have been slightly decreasing year on year from EUR 21.4 Million in March 2010 to EUR 20.6 Million as of March 2011.

As of March 2011, the rental portfolio had a total leasable area of approximately 1.1 Million sqm of which 78% in Germany.

	GLA (sq m)		Occupancy (%)	
Asset per country	03/2011	12/2010	03/2011	12/2010
Prague, Czech Republic	154 523	154 523	73,2%	71,2%
Budapest, Hungary	29 598	29 598	9,2%	11,5%
Warsaw, Poland	36 630	36 630	77,1%	77,4%
Bratislava, Slovakia	8 220	8 220	28,8%	16,9%
Capellen, Luxembourg	7 744	7 744	85,9%	97,6%
GSG - Berlin, Germany	815 441	815 334	76,3%	77,2%
Germany (other than GSG)	40 319	40 319	81,5%	86,0%
Total Portfolio	1 092 475	1 092 368	74,0%	74,6%

The occupancy rate of the rental portfolio reached 74.0% as of March 2011 (vs 74.6% in December 2010). Over the first months of 2011, Management sees confirmation of the stabilization of the rental portfolio in Central Europe. Net take up has been neutral for the office and logistic segments and positive for the retail segment. The outlook for the coming months is cautiously positive.

GSG portfolio in Berlin, with a total leasable area of 0.8 Million sqm, contributed with EUR 13.3 Million revenue during the first quarter of 2011 (EUR 13.1 Million over Q1 2010). While GSG experienced a slight decrease of occupancy over the first quarter of 2011 to 76.3% (minus 0.9%), the current letting initiatives should bring the portfolio to 79% by year end. As a result of active asset management, average rate of rent per sqm for GSG's commercial area continued its steady increase to EUR 4.89 per sqm (vs EUR 4.86), a trend also set to continue over the rest of the year.

- Molcom

As a result of increased warehousing capacity, Molcom revenue contribution shows a significant increase year on year (EUR 5.9 Million in Q1 2011 compared to EUR 4.8 Million in Q1 2010) with occupancy reaching 87.8%. Existing warehouse is now at full capacity and management expects the warehouses' new extension to be fully occupied by Q3 2011. Current business environment is excellent in Russia with strong GDP growth (+4.0% in 2010[2] and a forecasted +5.1% in 2011[3]), positive consumer spending indicators, and low logistics vacancy in the Moscow's area. Management expects Molcom to steadily increase its revenue over the year 2011.

- Hospitality

The increase in Revpar by 11.4% led to a total revenue increase of 10% to approximately EUR 6 Million (EUR 3.5 Million in the Group's consolidated income statement). Thanks to the strong cost containment plan in place and the integration of the management company, the net operating profit at EUR 0.9 million increased by 110% compared to last year (EUR 0.4 million in Q1 2010).

The activity over Q1 2011 continued to demonstrate the continuing recovery of the hospitality industry in CEE region for prime location since mid 2010, with increasing demand for both the leisure and corporate business. We remain confident that this trend will continue for MaMaison Hotels and Residences for the rest of the year. As for the Suncani Hvar portfolio in Croatia, the season has not yet started; revenue prospects look positive.

B. Operating expenses

Operating expenses cover the lines "Employee benefits" and "Other operating expenses" of the income statement and amount to EUR 26.6 Million in Q1 2011 (vs EUR 27.1 Million in Q1 2010). This year on year decrease is the consequence of the restructuring plan implemented in 2009 and 2010 and reflects contradictory movements between operational and support expenses.

The Group's German activities experienced a slight increase of operating expenses in Q1 2011 compared to Q1 2010 (+EUR 0.3 million), due to EUR 1.1 million charges on Sky Office and GSG including some one off impact. Overheads costs of Orco Germany continued to decrease by EUR 0.7 Million.

The Central Europe Group activities reduced operating expenses year on year by EUR 0.9 Million for headquarters services, EUR 0.1 Million for Development business line and EUR 0.4 Million for Asset Management.

Russian and Hospitality activities' operating expenses increased by EUR 0.4 Million over Q1 2011 compare to Q1 2010 due to the higher level of "Salaries and Employee Benefits" (+EUR 1 Million) and of "Other operating expenses" (+EUR 0.2 Million) induced by the increased activity of Molcom and higher social tax rates in Russia. Meanwhile overhead costs of those two activities are expected to continue to decrease over 2011.

[2] Source : Cushman & Wakefield estimates
[3] Source : Cushman & Wakefield estimates according to Oxford Economic Forecasts

C. Operating result

The operating result has increased by 8% from EUR 5.0 Million to EUR 5.4 Million. This positive evolution reflects the improvement of the residential markets resulting in lower impairments and provisions over Q1 2011. While sales volumes are depressed, gross margins on sales are now slightly positive.

D. Adjusted EBITDA

The adjusted EBITDA amounts to EUR 5.6 Million compared to EUR 8.0 Million as of March 2010.

In EUR Thousand	Development	Asset Management	TOTAL
Operating result	**618**	**4 793**	**5 411**
Net gain /(loss) from fair value adjustments on investment property	**1**	**0**	**1**
Amortisation, impairments and provisions	**41**	**1 178**	**1 219**
Past valuation on goods sold	**-575**	**0**	**-575**
Net result on disposal of assets	**-494**	**61**	**-433**
Adjusted EBITDA Q1 2011	**-410**	**6 033**	**5 623**
Adjusted EBITDA Q1 2010	**1 401**	**6 572**	**7 973**
*Adjusted EBITDA Q1 2010 (previous allocation)**	*537*	*7 436*	*7 973*

Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash elements and non recurring elements (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Correction of costs of goods sold being the reversal of past non cash valuation adjustments and impairments – 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 2010, the methodology of segment reporting has been revised. Revenue and costs are now allocated at project's level instead of SPV level as some multi projects SPV were related to both Development and Asset Management. Previous amounts are given here for comparison purpose.

As a result of the strong decrease in deliveries for the residential development activities the Group adjusted EBITDA decreases from EUR 8.0 Million to EUR 5.6 Million. The decrease in Asset Management EBITDA is the consequence of one off Orco Germany costs referred to above and of a higher allocation of headquarters costs induced by its increased contribution to Group revenues.

E. Valuation adjustments and impairments

No new valuation adjustments and impairments on real estate assets were recorded over the first quarter.

F. Net gain or loss on the sale of assets

During the first three months of 2011, EUR 113.9 Million asset sales have been recognized in profit and loss statement, mainly in Germany with Leipziger Platz which transaction is recognized for an amount of EUR 113.2 Million. These sales generated net accounting profit of EUR 0.4 Million and net cash inflow of EUR 13.5 Million over the Q1 2011[4].

During the first quarter 2011, a SPA signed last year on Ariah (Szervita) in Hungary was cancelled, and the Group is currently analysing the opportunity of redeveloping the project.

[4] For more details on cash flows of the Leipziger Platz transaction, please refer to Annual Report 2010 and dedicated press release.

After closing of Q1 2011, the sale of the commercial asset Invalidenstraße 112/Chausseestraße, located in Berlin-Mitte and comprising 2,200 sqm was recorded. The sales price amounts to EUR 5.6 Million, 8% above the December 2010 valuation.

G. Financial Result

The decrease of interest expenses is a major focus within our long term business plan. As of March 2011 these amount to EUR 20.4 Million instead of EUR 25.0 Million in 2010). These EUR 20.4 Million include interests on bonds account for EUR 8.8 Million (EUR 10.4 Million in 2010) out of which:

- EUR 6.8 Million on the Company bonds restructured by the Safeguard plan (EUR 8.4 Million in 2010), including EUR 1.1 million of interests capitalized on projects (EUR 0.3 million in 2010).
- EUR 2.0 Million on the Orco Germany bond (EUR 2.0 Million in 2010).

The interest expenses are increasing the nominal of each bond and are payable on the 30th of April every year until 2020 as per the repayment schedule available in the Safeguard plan.

The net interest expenses over Q1 2011 amount to EUR 19.1 Million to be compared to a total Adjusted EBITDA of EUR 5.6 Million:

- Bank loan interests on rental properties amount to EUR 7.6 Million to be compared to an adjusted EBITDA contribution of EUR 6.9 Million.
- Bank loan interests on hospitality properties amount to EUR 1.9 Million to be compared to an adjusted EBITDA contribution of EUR 1.0 Million.
- On hold and finalized projects Bank loan interests at EUR 0.1 Million
- Interest income amounts to EUR 1.3 Million.

The financial result shows a loss of EUR 6.6 Million compared to a loss of EUR 25.7 Million over the first three months of 2010.

Other net financial results essentially relate to the change in the fair value of the interests rate swaps (EUR +7.9 million) and to the change in fair value of the derivative instruments on the OG bonds (EUR -1.2 million).

Data in EUR Thousands	31 March 2011	31 March 2010
Change in carrying value of liabilities at amortised cost	-268	-
Change in fair value and realised result on derivative instruments	6 718	-4 568
Change in fair value and realised result on other financial assets	-247	-38
Other net finance charges	-687	-2 424
Gain (loss) on other financial results	**5 516**	**-7 030**

II. Unaudited consolidated interim balance sheet in EUR thousand

Assets	31 March 2011	31 December 2010
NON-CURRENT ASSETS	**1,230,443**	**1,204,255**
Intangible assets	**48,219**	**48,205**
Investment property	**905,821**	**888,036**
Property, plant and equipment	**238,490**	**237,851**
Hotels and own-occupied buildings	222,243	222,563
Fixtures and fittings	15,513	15,288
Financial assets at fair value through profit or loss	**36,493**	**30,049**
Deferred tax assets	**1,420**	**114**
CURRENT ASSETS	**601,052**	**698,050**
Inventories	420,022	418,957
Trade receivables	57,909	34,349
Other current assets	60,158	59,105
Derivative instruments	-	0
Current financial assets	1,880	302
Cash and cash equivalents	48,236	53,439
Assets held for sale	12,847	131,898
TOTAL	**1,831,495**	**1,902,305**

Equity and liabilities	31 March 2011	31 December 2010
EQUITY	**349,296**	**355,969**
Equity attributable to owners of the Company	**296,993**	**303,056**
Non controlling interests	**52,303**	**52,913**
LIABILITIES	**1,482,199**	**1,546,336**
Non-current liabilities	**906,473**	**903,080**
Bonds	244,259	235,667
Financial debts	524,388	526,991
Provisions & other long term liabilities	14,313	14,307
Derivative instruments	20,481	19,323
Deferred tax liabilities	103,032	106,792
Current liabilities	**575,726**	**643,256**
Current bonds	8,191	8,222
Financial debts	393,336	389,282
Trade payables	20,266	21,011
Advance payments	33,180	32,714
Derivative instruments	19,760	27,469
Other current liabilities	94,320	88,064
Liabilities linked to assets held for sale	6,673	76,494
TOTAL	**1,831,495**	**1,902,305**

III. Safeguard plan:

The Group made its first payment to bondholders under Safeguard plan on 30 April 2011.

On 10 June 2010, a third party filed an opposition with the Commercial Court of Paris. Since the filing date, the court hearing on bondholders 'Tierce opposition' has been postponed in several occasions and is now set to take place in fall 2011.

In the context of the Safeguard plan, the bank financing the project Stein exercised its guarantee granted by OPG and appropriately declared under the Safeguard procedure for a total amount of EUR 13.8 Million which will be termed out alongside other Safeguard debts[5]. This exercise is seen by the management as an opportunity to keep the asset at favourable terms.

IV. Outlook :

Over 2011, the Group expects to achieve revenues between EUR 340 Million and EUR 370 Million including the potential sale of Sky Office building in Düsseldorf.

Message from Mr. Jean-François Ott, CEO of Orco Property Group

"In a stabilised environment, your management has been focusing on creating real estate value through both residential and commercial development and intense asset management of our rental properties. We see increased investment appetite for prime quality real estate in our core cities of Berlin, Warsaw and Prague. We are confident that the same trend will soon apply to Moscow and Budapest with both lower yields and improved rental take up, that should allow us to realise in cash some of such value creation and comfort me that investment properties value in our cities will grow by up to 10% in 2011".

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

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[5] The amount of the guarantee is to be decreased of any proceed from the sale of the asset.