



29th May 2008

2008 First Quarter Results

During the first quarter of 2008, ORCO continued to improve upon its operating profitability while supporting and financing long term projects such as Bubny, Wertheim, Zlota 44 and Sky office. The group achieved the same level of adjusted EBITDA (€7.4 Million) as in Q1 2007 although the global turnover decreased by €11.4 Million. This drop was anticipated and was mainly due to very low level of deliveries in development activities. It was partially compensated by the increase in renting activities thanks to the first contribution from Molcom and GSG.

SUMMARY

- I) Non-audited first quarter financial review
- II) Recent events
- III) Strategic outlook

I) Non-audited first quarter financial review

A) Turnover (in EUR thousands)

Revenues	Development	Leasing	Hospitality	Management services	Inter-segment eliminations	TOTAL
Q1 2008	14 832	27 061	5 161	4 047	-3 945	47 156
Q1 2007	46 598	6 625	6 188	1 715	-2 527	58 599
Variation	-31 766	20 436	-1 027	2 332	-1 418	-11 443

Development

The turnover was €14.8 Million, with 87 units delivered. This represents a decrease of €31.8 Million compared to the same period in 2007. This low level of deliveries was largely expected as few projects could be delivered. At the same time during Q1, 217 new Forward Purchase Contracts (FPC), corresponding to new programs, were signed bringing the total FPC's to 1,024 units in the 5 countries. Our price increase projections remain unchanged.

The group is maintaining its full year 2008 target for the residential development which is still performing well, but is reducing its development target from € 197 Million to € 182 Million. This reduction is being made because we decided not to build one of the remaining phases of Rudna in the Czech Republic given that its expected profitability was not sufficient. The sale of this project was included in the 2008 development projection. Poland will start contributing to the turnover in Q3 and Q4 in line with the deliveries calendar.

Leasing

Total leasing was €27 Million, including the first contributions from GSG in Berlin and Molcom in Moscow. GSG was the main contributor with €11.6 Million of turnover and Molcom was second with €5.7 Million. Given the very good performance of Molcom, we are currently extending its warehousing space from 100,000 sqm to 120,000 sqm (expected to be finalised in October 2008 and already pre-let at 99%). During the first quarter, the occupancy rate of GSG improved to 72.4%. Since the end of Q1, this improvement has steadily increased and is currently at 74 %.

Asset Management

The Endurance Management Company collected €4 Million in fees. The group is currently gathering subscriptions for four sub funds (Office 2, Health Care, Industrial&Logistics, and Infrastructure). Moreover, three new sub funds are currently undergoing the approval process (Energy, Retail, Securities). Due to the international “subprime” crisis, the company had to postpone its launch of funds; this has caused delays in closing commitments. Accordingly, no placement fees were booked during Q1. Management remains confident in the effective contribution of this business line for 2008, but due to postponed closing commitments, the group is reducing its sales forecast for the year from €30 Million to €20 Million.

Hospitality

Including both our stake in the Orco historical portfolio and Suncani Hvar, the turnover was €5.1 Million. While fully integrated last year, part of the historical portfolio held in JV with AIG is now integrated at 50%. On our historical portfolio comprised of 883 rooms: ADR was €118.86 compared to €115.75 in Q1 2007, Rev Par was €63.21 compared to €51.43, and the occupancy rate was 53.18% compared to 54.90 %. As for Suncani Hvar resort portfolio in Croatia, the season has not yet started and the contribution is therefore not significant.

B) Adjusted EBITDA (in EUR thousands)

Adjusted Ebitda	Development	Leasing	Hospitality	Management services	Inter-segment eliminations	TOTAL
Q1 2008	-2 041	9 113	-2 855	3 142		7 359
Q1 2007	4 486	3 507	-1 302	650	0	7 341
Variation	-6 527	5 606	-1 553	2 492	0	18

The adjusted EBITDA was €7.4 Million, approximately the same as in Q1 2007.

- The level of development activity was due to low deliveries in Q1 compared to 2007. Nevertheless, the group continues to significantly invest in long term development projects. Moreover, thanks to local currency appreciation (Zloti and CZK), the margin quoted in € will be reinforced.
- Hospitality adjusted EBITDA became negative mainly due to the absence of winter season revenues in Suncani Hvar, and also by the lower compensation of our historical portfolio given our reduced stake.
- The operating results of Hospitality and development were compensated by the growing business for Endurance Management and by the leasing activity. Notably, GSG at €5.3 Million is already cash flow positive; two years ahead of the initial business plan.

C) Income statement

Non-audited figures in EUR thousands	Q1 - 2008	Q1 - 2007
Revenues	47,156	58,599
Other operating income	2,365	449
Cost of goods sold	-8,703	-33,791
Net result from fair value adjustment on investment property	9,395	0
Salaries and employee benefits	-12,916	-8,715
Amortization, impairments and provisions	-3,737	-1,800
Other operating expenses	-22,162	-13,458
OPERATING RESULT	11,399	1,282
Interest expenses	-20,044	-3,702
Interest income	2,613	542
Foreign exchange result	-4,001	3,110
Other net financial results	-8,023	-1,119
FINANCIAL RESULT	-29,455	-1,169
PROFIT BEFORE INCOME TAXES	-18,056	114
Income taxes	6,074	-1,406
NET PROFIT	-11,982	-1,293
Attributable to minority interests	-1,103	1,732
ATTRIBUTABLE TO THE GROUP	-13,085	439

1. Other Operating Income

Included in Q1 2008 is the €1.5 Million gain on the sale of 25% of the Benice development and also some gains on the sale of real estate assets (Vinohrady portfolio).

2. Cost of goods sold

The group decided to adopt a new presentation of the income statement. This resulted in an increase in the Q1 2007 presentation of the “Other operating expenses” to €5.5 Million and a corresponding decrease of the former line “Cost of sales” to the current line “Cost of goods sold”. Now this line corresponds mainly to the inventory cost of the units delivered during the period. To a lesser extent, it also includes the cost of goods sold in the hospitality division.

The decrease in 2008 compared to 2007 of this line is a direct translation of the decrease in development revenues.

3. Profit of Revaluation

Due to a successful master plan competition resulting in a more extensive retail use and a gain of around 10 000 sqm of leasable space, the Leipziger Platz land plot was revalued according to our accounting policy. DTZ values this land at €108 Million. The P&L positive contribution amounts to €9.4 Million.

4. Salaries

The increase in salaries and employee benefits was mainly explained by the first contribution of GSG and Molcom for a total of €3.6 Million.

5. Other Operating Expenses

The increase from €13.5 Million to €22.2 Million was due to the first contributions from GSG (€5.7 Million) and Molcom (€1.4 Million) and the increase of sales and marketing costs.

6. Financial results

The financial results were €-29,5 Million out of which €7,8 Million were non cash items (actuarial amortization of embedded derivatives, mark to market of options and interest rate swaps and foreign exchange effect). The cash interest expenses were €17,1 Million.

7. Net profit

The Q1 Net profit was €-13 Million compared to €0.4 Million.

D) Balance sheet

Non-audited figures in EUR thousands	March 2008	December 2007
NON-CURRENT ASSETS	2,209,548	2,147,468
Intangible assets	67,633	67,016
Investment property	1,505,648	1,564,947
Property, plant and equipment	517,940	419,575
Hotels and own-occupied buildings	336,376	294,170
Fixtures and fittings	19,565	21,036
Properties under development	161,999	104,369
Financial assets	101,337	82,182
Deferred tax assets	16,990	13,749
CURRENT ASSETS	722,652	795,795
Inventories	415,451	323,698
Trade receivables	4,815	64,891
Other receivables	73,504	115,610
Derivative instruments	24,009	22,396
Current financial assets	23,320	11,222
Cash and cash equivalent	181,554	257,977
TOTAL ASSETS	2,932,199	2,943,263
EQUITY	940,528	939,835
Shareholder's equity	727,647	736,012
Minority interest income	212,881	203,823
LIABILITIES	1,991,671	2,003,430
Non current liabilities	1,368,125	1,343,842
Bonds	471,035	472,812
Financial debts	860,974	831,723
Derivative instruments	21,516	21,153
Provisions	14,600	18,154
Deferred tax liabilities	243,402	243,940
Current liabilities	380,144	415,648
Financial debts	141,751	175,216
Trade payables	60,879	50,220
Advance payments	110,065	101,678
Other current liabilities	54,823	83,661
Derivative instruments	12,627	4,872
TOTAL EQUITY AND LIABILITIES	2,932,199	2,943,263

II) Recent events

Final building permit for Złota 44 (Warsaw)

In early May, the company received the final building permit for its flagship residential project – Złota 44, designed by Daniel Libeskind. Orco is planning to complete the project towards the end of summer 2010. The general contractor – Besix – is currently completing excavation works on the construction site.

Shopping Centre acquisition in Moscow (Russia)

In mid-May, the company agreed to forward purchase a large-scale shopping centre, named “Na Bagrationovskom”, in the west part of the Russian capital. The site is comprised of 3.4 ha and has a gross buildable area of 122,367 sqm (including 39,402 sqm of parking) providing

54,477 sqm of leasable space over three above ground floors and one basement level. Nine months before opening, the shopping centre is 98% leased to 144 tenants with 90% of the income secured to international and major national brands. The building is currently under construction with the opening date expected to be in Q1 2009.

Landbank acquisition in Krakow (Poland)

In the month of April 2008, ORCO purchased a plot of 35,700 sqm in Krakow, where the Company is planning to build up to 550 new residential units. The plot is located in Podgórze district, 8 km from the city centre and about 1 km from the forest. In the near neighborhood of the plot there are new residential estates which are popular among the Krakow residents – e.g. Osiedle Europejskie. The plot is subject to the valid City Masterplan and construction works are estimated to start in Q2 2009.

Disposal of Luxembourg Plaza (Prague)

In Q2 the company is selling the remaining 50% of Luxembourg Plaza to Endurance Office II at DTZ value for net cash proceeds of €17 Million. This is the first sale of the disposal program decided upon by ORCO for 2008 which consists of selling the mature residential portfolio in Prague, office buildings in Budapest and Prague, and assets in Moscow and Germany. These sales are planned to be booked in Q3 and Q4 and will be contracted with both the Endurance Fund and third parties.

Capital increase of Suncani Hvar (Croatia)

A capital increase in Suncani Hvar Hotels was executed through a private placement entirely subscribed by ORCO. 1,114,839 new shares at HRK 100 were issued (approx. € 15.3 Million). The new shareholder structure is split between: ORCO Property Group reinforcing its stake to 55.6 %, Croatian Privatisation Fund and Consolidation Agency for 31.8 % and free float for 12.6 %. The current market capitalization of Suncani Hvar Hotels now amounts to approximately €135 Million.

Dividend

On June 2nd, ORCO will pay the 2007 dividend of €1.40 (€1.19 net). 6.702.412 coupons will be paid in cash and 4.134.382 coupons will be paid in newly issued shares corresponding to an issue of 107 072 new shares at €48,58. The share capital will thus be increased by 107.072 new shares and is currently €44.869.850,60 represented by 10.943.866 shares (ISIN code LU0122624777).

III) Strategic outlook

Our financial results reflect earlier strategic decisions of the company, and particularly the decision to enter the major markets of Berlin and Moscow 3 years ago. Both cities will turn out to be major EBITDA contributors in 2008 results, validating both ORCO's investment strategy, which attempts to continuously anticipate mid term trends of the real estate market, and the capacities of the ORCO teams to be able to act as local players in each city where we invest.

Some consequences of the international crisis on the financial markets were felt at the corporate level, particularly in fund raising. However, we have seen no consequences on the physical real estate market in Central and Eastern Europe. This is because these markets continue to be fuelled by economic growth and driven by sound fundamentals of demand, most particularly in mid class residential and office space. We have concluded the financing of new projects (ex. Paris Department Store, Molcom) and the refinancing of existing investments (ex hospitality), with only limited tightening of contractual conditions.

ORCO reiterates its long term strategy. First, is to develop a portfolio of prime assets (offices, residential, retail, logistics, and infrastructure) that provide a stable base of turnover in the best European cities as defined by their rate of growth. This portfolio constitutes a source of security for the company and will be the subject of regular arbitrage. Second, is to continue addressing the long term residential needs of Central Europe market. Third, is to extend our asset management division (that generates yields based on our local presence) with the development of additional sub funds such as infrastructure, energy (future important windmill player in Poland), securities, and forestry. The continuing integration of these 3 main businesses will allow the company to reap more value from our existing and future major long term development projects. Based on the success of our three business lines, we are confident that the group can achieve a double digit NAV growth over the next five years.

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Orco Property Group is a leading investor, developer and asset manager in the Central European real estate and hospitality market, currently managing assets of approximately EUR 2, 5 billion. Operating in Central Europe since 1991, Orco Property Group is a public company, based in Luxembourg, and listed on the Euronext, Prague, Warsaw and Budapest Stock Exchanges. Orco Property Group's portfolio includes, IPB Real, MaMaison Hotels & Apartments, Viterra Development, Gewerbesiedlungs-Gesellschaft mbH (GSG), Orco Real Estate, Orco MOLCOM and other retail properties. Orco Property Group operates in a number of countries including, mainly, the Czech Republic, Hungary, Poland, Russia, Croatia, Germany and Slovakia. Orco Property Group is continually analysing investment into new territories.

Orco Property Group is also sponsor of The Endurance Real Estate Fund, a Luxembourg-regulated closed-end mutual fund (*fonds commun de placement - fonds d'investissement sp  cialis  *) organised as an umbrella fund with six sub-funds focused on real estate acquisitions on office and retail, residential, industrial & logistic, and Health Care markets.