



PRESS RELEASE

## **Orco reports progress in its operational and financial restructuring**

**Paris, October 7th 2009** – Orco Property Group, investor, developer and asset manager in Central Europe, reports :

- **A planned increase of its stake in Orco Germany**
- **Cash from the sale of commercial asset in Warsaw,**
- **Improved cash recovery from its loans to partnerships**
- **Secured financing for its hospitality portfolio,**
- **Secured financing for its key commercial developments in Budapest**

Since the announcement of its strategic plan in March 2009, Orco Property Group SA has processed to an in-depth review of its structure, whether partnerships or fully owned subsidiaries. The Group has started to streamline and simplify its operational structure and reports improvement in its cash collection and allocation.

In six months, significant achievements have been made with the support of Orco Property Group's financial partners.

- o Orco Property Group increases its stake in Orco Germany

In its plan to streamline its organization and improve its cash collection, Orco Property Group SA has reached an agreement on the conversion of its shareholder loan in Orco Germany SA into equity . This is the first step of a wider financial and operational restructuring plan for Orco Germany.

This operation is made possible thanks to an agreement signed by ORCO Germany S.A., MSREF V Turtle B.V (an investment vehicle managed by Morgan Stanley currently owning 28.91% of ORCO Germany S.A.) and ORCO Property Group S.A. on August 26 2009. ORCO Property Group S.A is set to obtain conversion of its €17,586,800 shareholder loan in ORCO Germany S.A. into 10,991,750 new shares at an issue price of €1.60 per share where June 2009 net asset value stood at €1.69, increasing the Group control from 58.10% to a 65% stake in its subsidiary. This agreement will be presented for approval at the Extraordinary General Meeting of ORCO Germany S.A. which should take place during this month.

This shareholder loan restructuring allows the Group to secure its investment in Orco Germany, increase control on its subsidiary and collect more benefits from Orco Germany restructuring.

In Germany, the group owns a 972,000 sqm asset portfolio which is mainly composed of offices.

- Central European hospitality portfolio is further secured

Hospitality Invest SA is Orco's joint venture with an institutional fund managed by AIG Global Real Estate which owns and operates 12 hotels in Central and Eastern Europe.

The portfolio's refinancing has been completed through a final agreement with its financing bank, allowing the subsidiary to draw €7.7 million which represents the final tranche of a €81.9 million total refinancing.

Besides, an agreement has been signed with our joint venture partner whereby €20 million out of Orco Property S.A € 46 million shareholder loan will be restructured. Our partner will inject € 10 million in cash in Hospitality Invest for repayment to Orco, while € 10 million of shareholder loan will be converted into equity in the joint venture leaving both partners at a 50% shareholding. Closing and payments are expected shortly.

- Other partnerships

- Orco Property Group SA has received a dividend of € 2.5 million from its partnership with GE Real Estate on the Kosik development.
- The Group progresses in its discussions aimed at restructuring its €36,3 million shareholder loan in Orco Molcom BV through conversion into direct equity stakes in the projects.
- The Group reports however slow progress in the implementation of the agreement with the Croat Privatization Fund ("shares against assets") that would allow Suncani Hvar to finance its operations and developments and solve historic ownership disputes.

- Financing of key developments Váci 1 and Paris Department Store is secured

On 2nd October, Orco Property Group S.A. has signed an agreement with UniCredit Bank which should allow the completion of both Váci1 and Paris Department Store, the two main projects in development of Orco Property Group in Budapest.

Through the agreement signed with Unicredit Bank, for every step of the construction until completion, UniCredit Bank will be financing 75% of all costs incurred, and Orco Property Group S.A. will be financing the remaining 25%. The loan is set to be turned from development loans into investment loans once the property is leased.

Váci1 is the 10,000sqm 'iconic' retail centre which is located in Budapest main shopping district. This Emporium is housed in the former Budapest Stock Exchange and will be dedicated to top names of premium retail, along with fine restaurants and coffee bars. The building is set to be completed for Spring 2011.

Paris Department Store is a 6,000 sqm building which offers exclusive retail units and class A office space in Andrassy Avenue, the most prestigious business address in Budapest. It has been completed early in 2009. Alexandra Bookstore, the first cultural products retailer in Hungary has rented 1,700 sqm in April 2009. This agreement allows to complete the payment of the construction and to officially open other building spaces.

In the meantime constructive discussions continue to secure the financing of the Zlota tower in Warsaw.

- Sale of a commercial asset in Warsaw

Orco Property Group SA reports the sale of a 4,000 sqm newly built car showroom and repair centre fully leased to Peugeot. The disposal of this asset located in the suburbs of Warsaw should allow Orco Property Group SA to generate € 3.7 million of cash (PLN 15.6 million). The final transfer of ownership is expected for December 2009.

The Group will continue implementing its strategic asset sales program over the coming 18 months.

Jean-François Ott, Founder and CEO of Orco Property Group S.A., declared: *"These recent achievements show the pace of the progress of Orco's turnaround. We are determined to achieve our restructuring plan as soon as possible so as to be ready to take up new challenges in our core activities"*.

**For more information, visit our Shareholder corner on**

**[www.orcogroup.com](http://www.orcogroup.com), or contact:**

Nicolas Tommasini +33 1 40 67 67 23 or at [investors@orcogroup.com](mailto:investors@orcogroup.com)