

Press release

Orco Property Group presents its *Sauvegarde* Plan and continues to refocus its business

- Under the *Sauvegarde* Procedure that has protected Orco Property Group since March 25, 2009, the Board submits its recovery plan to its creditors.
- The recovery plan includes an in-depth industrial restructuring aimed at refocusing the group's activities on its historic markets, improving cashflow and modernising the group's corporate governance.
- After numerous consultations with bondholders, the Board submits for consideration by its creditors a 10 years rescheduling proposal as permitted by the *Sauvegarde Act*.
- The schedule of bond repayments, initially concentrated at over 80% in 2013 and 2014, will be set back over the number of years estimated necessary for the execution of the projects. The average maturity of the bonds will rise from 3 years to less than 8 years, i.e. an extension equivalent to a property development business cycle.
- With an appropriate financial profile, Orco Property Group can return to growth in its key markets.

The Board's restructuring of the debt will bear fruit over the next 10 years

The Board has held many discussions with bond holders, in particular proposing solutions combining convertible bonds, new shares and new share warrants. But the diversity of expectations expressed by the various groups of bondholders made it impossible to reach a consensus on the conversion of bonds into shares in exchange for a reduction in part of the debt at the bondholders' meeting of 24 September 2009.

In order to concentrate entirely on the restructuring and development of the Group, the Board of Directors has therefore put forward a recovery plan making use of the procedure set out in the above-mentioned Law. It is thus proposed to repay 100% of the declared claims over 10 years, subject to their acceptance as liabilities, and following a schedule starting from the first anniversary of the Court decision establishing the Procedure. This repayment schedule will ensure the essential balance between:

- the rate of income generation, destabilised by project deferments made necessary by the economic crisis, and
- the rate of bond repayment, initially concentrated at over 80% in 2013 and 2014, which will be spread out and over the number of years necessary for the completion of the projects.

It should be noted that at the date set in the Court's decision establishing the Plan, the average bond maturity (all taken together) is 3 years. The means set for discharging the bond debt established by the Plan will push back this average maturity by under 5 years, bearing interest, which corresponds to a production cycle. Intended to balance the interests of all the parties concerned, the Plan simply integrates the burden which the international crisis had on the real estate sector.

Principal actions of the Board over the past year

Focus on the Group's core business

The recovery procedure has constrained Orco Property Group to select and classify the assets to be retained according to strict criteria and a profitability study, and not based on the Group's cash needs, which has protected it from forced sell-offs at knock-down prices, which would have led to a major loss of value.

The Group has thus decided to sell its non-strategic businesses over the next few years to concentrate on its core business, namely:

- Commercial real estate, investing or reinvesting in under-performing and under-valued assets and restructuring the product;
- Residential and commercial property development making use of the existing real estate holdings, which have very strong local roots, large areas of available land and the trust of the banks in this business.

Financial restructuring under way

The Group's Board has strongly reduced cash allocated to investments prioritising cashflow allocations, which goes hand in hand with a greater selection of real estate projects to finance. Additionally, a new financial structure has been established in Paris. The focus is on the cash needs of Orco Property Group S.A. and on financial reporting from the subsidiaries, as well as on recovering capital and interest on the shareholder loans.

During the observation period, the Company has also successfully undertaken an important renegotiation of the Group's bank debt in order to adapt it to the new conditions resulting from the economic crisis. All told, more than a quarter of the Group's bank debt has been renegotiated since the start of 2009, usually through maturity extensions, but also by increases in available credit lines. Banking partners have thus displayed their confidence in the group's fundamentals and their support for the project put forward by the Company.

Improvements in corporate governance

Orco Property Group has made deep-seated changes in its management structure since 2009. As such, its board now includes shareholder representatives, non-executive directors and professionals from the real estate sector. Orco Property Group has also established several committees to improve management efficiency and transparency.

Procédure de Sauvegarde for Orco Property Group

On March 25, 2009, the Tribunal de Commerce de Paris (Paris Commercial Court) opened a '*Procédure de Sauvegarde*' (protection from creditors under the Act of July 26, 2005) in favour of Orco Property Group and appointed Mr Klotz as *Juge Commissaire* (presiding judge in bankruptcy proceedings) and Mr Laurent Le Guernevé as Administrator. The '*procédure*' was recently prolonged until end June 2009.

Additional information on the *Plan de Sauvegarde* will be made available on www.orcogroup.com