

# Annual General Meeting

8<sup>th</sup> July 2009



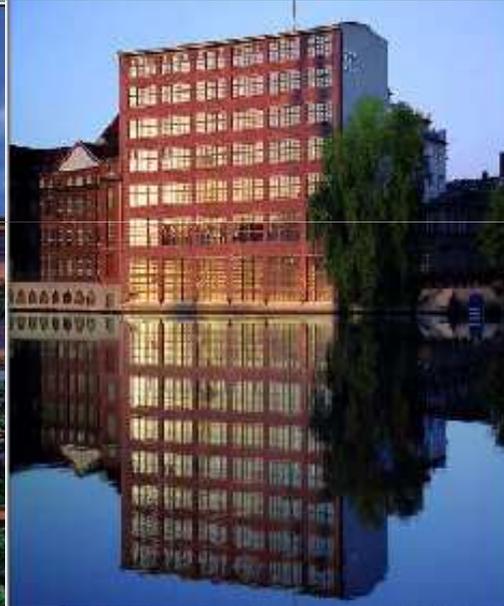
# Agenda of Ordinary General Meeting

1. Presentation of the reports of the Board of Directors and of the auditors (“*Réviseurs d’Entreprises*”)
2. Presentation and approval of the statutory and consolidated annual accounts for the financial year ended on 31 December 2008
3. Allocation of the results
4. Approval of the granting of full discharge to the members of the board of directors and to the auditors for the performance of their duties until December 31, 2008
5. Approval of the renewal of the mandate of the Directors currently in office at the Board of Directors of the Company until the general meeting of the shareholders approving the accounts for the year ending on December 31, 2009
6. Approval of the proposal of the board of directors for the appointment as directors until the general meeting of the shareholders approving the accounts for the year ending on December 31, 2009 of Mr. Bernard Kleiner, Mr. Alexis Raymond Juan, Mr. Robert Coucke, Mr. Ales Vobruba, two representatives of the Czech Group Prosperita and the Czech company Geofin, a.s.
7. Approval of the renewal of the mandate of the auditors until the general meeting of the shareholders approving the accounts for the year ending on December 31, 2009

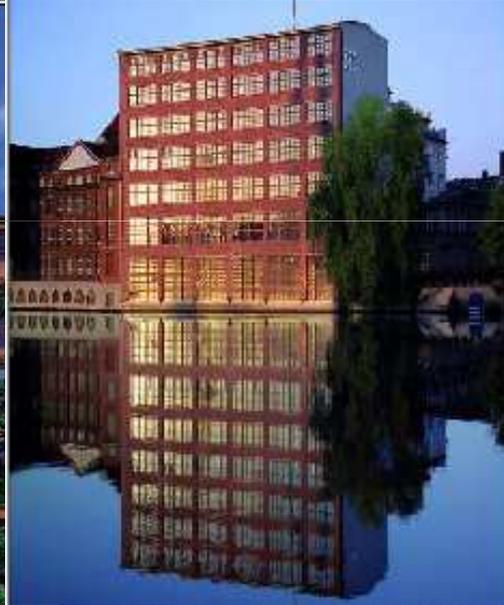
1. Introduction by Jean-François Ott, CEO and president of Orco Property Group
2. Strategic update by Jean-François Ott
  - 2.1 Sauvegarde's realizations
  - 2.2 Update on the discussions with Colony
3. Presentation of 2008 audited accounts & update on the unaudited first quarter results by Nicolas Tommasini, deputy CEO & CFO of Orco Property Group
4. Presentation by Marc Minet, PriceWaterhouseCoopers, auditors of Orco Property Group
5. Corporate Governance : an enlarged and enriched board
6. Conclusion by Jean-François Ott

# Presentation

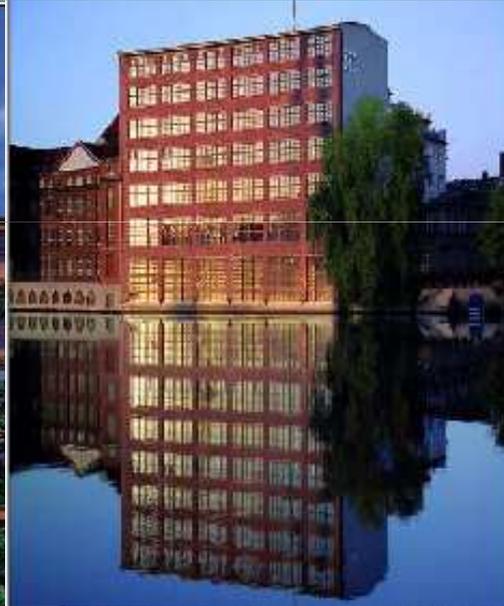
# 1 Introduction



# 2 Strategic update



## 2.1 Sauvegarde's realizations



# What a sauvegarde procedure is allowing us to achieve?

- Sauvegarde procedure gives the best condition for the current management to pursue its efforts to restructure the company financially and operationally
- **Sauvegarde safely allows :**
  - To preserve unity and value of the Group's asset with continuity of actions of the current management
  - To open discussions with creditors and financial partners
  - To accelerate the restructuring plan
  - To ensure business as usual for all employees and providers

**Sauvegarde was obtained for the mother company Orco Property Group SA. The subsidiaries whether holdings, or SPVs holding projects are NOT covered by creditor protection. However the funding of these subsidiaries by OPG is strongly restricted by the procedure**

Judgment from Paris Commercial Court of March 25<sup>th</sup> 2009

# Constructive discussions with banks

- The sauvegarde 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
- 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
  - Zlota : negotiations ongoing. The bank is favorable to extend financing subject to some additional equity inflow from OPG or partners (contractor Besix or else)
  - 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. The occupancy permit was obtained in June
  - Vaci One : Financing approved on Friday by the bank- now under review by OPG's investment committee and administrator. Prorata financing (25/75%) till the end of the project
  - Na Porici : occupancy permit obtained and financing signed to cover construction costs

# Partnerships discussions

- MSREF on Orco Germany : Negotiations on going. MSREF and minority shareholders unable to invest at the moment. Realistic target is that OPG integrates its €17,5 Million shareholder loan in equity, therefore increasing its stake into OG
- AIG on Hospitality Invest (Mamaison portfolio) : Negotiations on going. Target is that OPG gets reimbursed € 10-15 Million from its existing shareholder loan through recapitalisation of Hospitality Invest by AIG in cash and by OPG via loan integration
- Croatian Privatization Fund on Suncani Hvar : finalising technical issues on separating hotel Sirena now, the swap of assets vs shares have legal implications which request administrative and legal approvals – on going
- Endurance investors : most of the fees due to date have been paid
- Albert Akopyan on Molcom : no negotiation progress on shareholder loans



# Update on discussions with bond holders

- Orco Property Group has started the bond restructuring within the legal framework of the “procédure de sauvegarde” (court protection from creditors)
  - Are included in the process :
    - OPG 2010 - OBSAR (Bond with warrants) & OPG 2010 – Straight Czech Bond
    - OPG 2012 - Exchangeable Hvar
    - OPG 2013 - Convertible Bond
    - OPG 2014 - OBSAR (Bond with warrants)
- On May 15, a message to bond holders was sent to encourage their registration
- In June and July, J-F. Ott and N. Tommasini met the representatives of certain bondholders. These meetings were held on the initiative of Mr. Leguernevé, court administrator
- These meetings with the bondholders’ representatives took place in a constructive climate and enabled the Orco Property Group directors to point out the main features of the Group restructuring, both operationally and financially

# Update on the preparation of the safeguard plan

- The sauvegarde plan should be voted by all creditor committees in September and presented to the Court by October
- The management team is fully dedicated
- Grant Thornton validated 2009 cash flows
- Orco Property Group together with UBS built a 5 years Business Plan, that is being stretched to 10 years

# Indivative calendar : Sauvegarde & financial communication

## **From July 1st to August 12th**

Discussions with bondholders

## **August 27th**

Board of directors

Publication of H1 Results 2009

## **September**

Vote of the Supplier Commmittee

Bondholder General Meetings

## **September 25th**

End of the Six months period of Sauvegarde

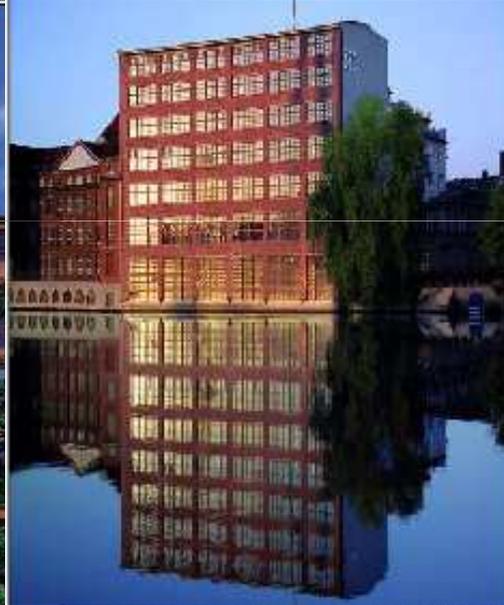
## **Beginning of October**

Presentation of the Sauvegarde Plan to the French Commercial Court

Press release

Analyst Meeting

## 2.2 Update on the discussions with Colony



# New step completed on June 22th

- Colony Capital will be granted warrants:
  - Warrants will be subject to the approval of the Extraordinary Shareholder Meeting (to come)
  - CoLOG can subscribe to an issue of Orco Property Group shares at €7 per share amounting to about €80 million
  - CoLOG's equity stake in OPG should not exceed 30%

## Same conditions offered to all shareholders

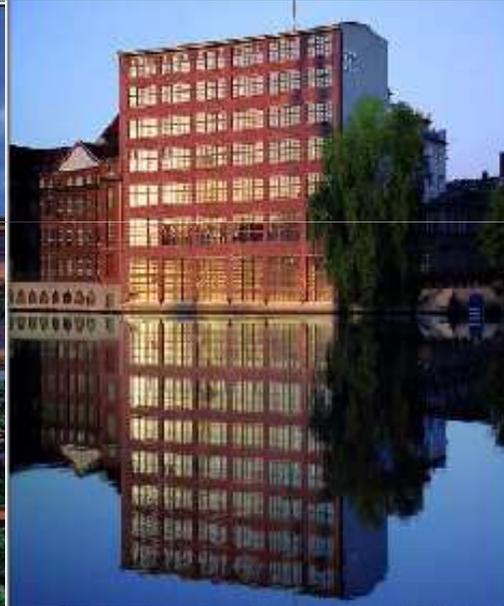
***In order to give the same opportunity to all OPG shareholders, a share capital increase at € 7 per share and with a ratio of one new share for one existing share***

# Next steps till end of November

- Step One : Finalize the restructuring of the bond debt
- Step Two : The exercise of the CoLOG warrants is subject to the success of the bond restructuring undertaken as part of the Procédure de Sauvegarde (court protection from creditors)
- Step Three : The deal will be also subject to a shareholders vote at an extraordinary general meeting and a prospectus filed with the relevant financial market authorities
- Till November 30<sup>th</sup>

***After the required debt restructuring, this transaction will bolster the group's equity while providing funds for growth and for implementation of its operational restructuring plan***

# 3 Audited accounts 2008



# Audited results published on June 10<sup>th</sup> 2009

- The auditors are PriceWaterhouseCoopers & HRT
- There was no adjustment on the audited consolidated income statement published by the company, showing the high credibility of the consolidation process
- This AGM will vote on the Full Year 2008 accounts
- On April 30<sup>th</sup>, a full presentation of the unaudited accounts was performed
- The full annual report is available on [www.Orcogroup.com](http://www.Orcogroup.com) & on the handover
- Allocation of results : €240,5m carried forward to 2009

# Going concern & Sauvegarde

- The going concern is the founding principle of the audit process
  - The auditors pronounce themselves on the capacity for the company to continue its activity and face its liabilities
  - Following a detailed cash flow review, performed with the financial consultant Grant Thornton, **the auditors considered they were provided with sufficient guarantees on the 2009 cash flow forecasts**
  - In terms of valuation, obtaining the going concern is crucial
    - Distressed price vs on-going prices
    - Sauvegarde allows the group to avoid fire sell, so the statements reflect the visibility hence provided by this legal framework
- Three remarks on the going concern :
  - Necessary realization of residential program & but no pressure for sale of assets
  - Automatic bond restructuring ensuring in all cases an improved exit from Sauvegarde
  - Realization of on going developments not influencing the going concern

# Q1 update\*

## Dynamic turnover & net result mainly impacted by non cash items

- Turnover : +16,3% to € 54,8 Million, backed by stable rents and resilient residential market in the Czech Republic
- First effects of the restructuring plan : Personnel costs and other opex -11%
- Adjusted EBITDA : + 27 % 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 corrected of non cash items closer to break even at - € 5,9 Million
  - 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

\* The first quarter unaudited results were published on May 29th

# Cash management & cost efficiency

- Q1 asset sales generated € 14,8 Million of cash inflow :
  - € 32 Million of assets sales (out of which € 24,2 Million in Germany) at 92% of December 2008 DTZ valuation
- For Q2, the sale of Origo (Hungary) for €5,7 Million will generate a cash inflow of €4.7 Million
- Opex : € 2,8 Million of savings achieved in Q1 in spite of significant professional fees paid during the period related to the Sauvegarde & restructuring process(€ 1 Million)
  - Without Sauvegarde fees, 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
  - Reduction of number of employees (of 420) 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

# Market update : opposite trends

- **Office Markets:**

**Berlin:** Take-up in Berlin's office market in the first quarter of 2009 dropped by around 20% compared to last year, to 77,300 sq m. The take-up was supported by lettings to the public service sector and by associations, demand from which is to a large extent independent of the recessive trend. Vacancy rate remains stable (9.4%) as well as prime rents (21 Eur/sqm/months) whereas prime yields are now around 5.50%

**Prague:** In Q1 2009, rental activity slowed further (41% decrease y o y). The global economic downturn has changed the structure of office leasing activity in Prague, at least for the time. Lease renegotiations account for a higher percentage of take-up (26% in Q1 2009) as companies choose to stay in their existing premises in an effort to minimise costs. Due to staff reductions, subleases are becoming more important. The significant amount of available space in existing stock has resulted in a decrease of pre-leasing activity. Vacancy rate is increasing (close to 10%) whereas prime rents are stable

- **Residential Markets:**

**Prague:** After an extremely successful performance in 2007, experienced a slowdown in demand during 2008 ( VAT rates changed) which is still continuing, causing an accumulation of unsold stock. However, this market displays a strong overall resiliency and price have not dropped so much.

**Warsaw:** is suffering from a visible slowdown. Demand and supply in the residential market plummeted due to limited availability of credit. Prices on primary market dropped on average only by 3% but more discounts are achievable

# Market update : hospitality

The CEE region in general has suffered in great deal from the economic slowdown since Q4 2008. The hospitality sector has been one of the hardest hit industries due largely to a weakened demand

## Czech Republic

- **Prague** : one of the weakest market in the region due to a weak demand and over supply. By April YTD, RevPAR had reduced by more 20% year-on-year
- **Ostrava**: a secondary location dependent on industrial activities but low demands on WE

## Hungary

- **Budapest** : The city is suffering from a weak corporate demand due to corporate travel scale-down. And an STR survey shows that market RevPAR has decreased by about 30% from last year

## Poland

- **Warsaw** : The market overall, has shown a resilience in performance, particularly as April occupancy was down year-on-year by 6% and ADR by only 0.2%
- **Bielsko-Biala** : A secondary Polish market dependent on industrial activities, with a low demand on WE and during low season. Affected by the drop of activities in the car industry

## Russia

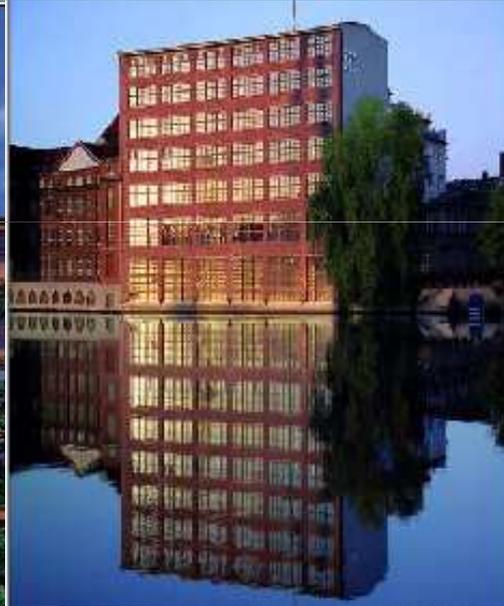
- **Moscow** : Low business demand in MICE and competitive in terms of prices

## Slovakia

- **Bratislava** : A market with a commercial focus and limited leisure market

# 4 Presentation by PriceWaterhouseCoopers

auditors of Orco Property Group

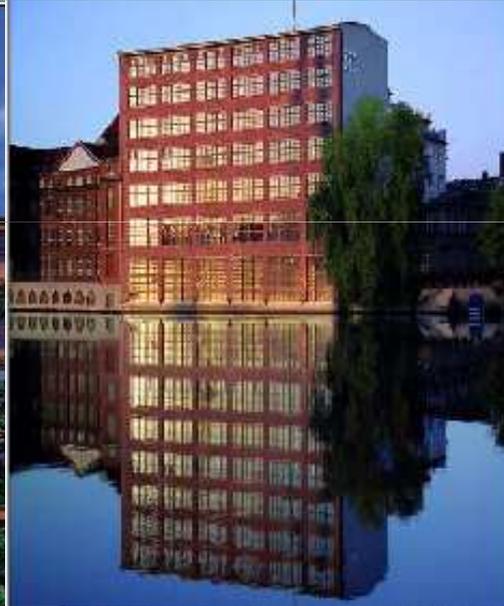


# **Independent Auditor's report on the consolidated financial statements and on the annual accounts of Orco Property Group S.A. as at and for the year ended December 31, 2008**

- Audit conducted in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises".
- Conclusion

# 5 Corporate Governance

An enlarged and enriched board



# An enlarged board

A board, enlarged and enriched with new expertises, will constitute a stable team which will represent all the shareholders in Orco Property Group

- As main shareholders, Prosperita and Martin Burda represented by Geofin As, are given the opportunity to bring at the Board level, their expertise as investors
- Mr Bernard Gauthier, independant director does not stand for reappointment
- In total, the Board of Directors of Orco Property Group will count 14 members, without any change of control :
  - 5 directors representing the managers of the Group: Jean-François Ott, Nicolas Tommasini, Ales Vobruba, CEREM S.A\* and Ott&Co S.A\*\*
  - 6 independent directors: Silvano Pedretti, Guy Wallier, Pierre Cornet, Bernard Kleiner, Alexis Juan, Robert Coucke
  - 3 representing shareholders: Geofin a.s (company controlled by Martin Burda) and 2 directors representing Prosperita.

\* Management company subsidiary of Orco Property Group

\*\* Personal holding of Jean-François Ott

# Proposed Reappointment of two managing directors

- Jean-François Ott, 44, Chairman and CEO, founded Orco Property Group in 1991, Mr Ott is in charge of Group Strategy, New Product Development, and relations with banks and investors.
- Nicolas Tommasini, 37, Deputy CEO and CFO. Nicolas Tommasini joined Orco Property Group in 1997, and is today in charge of finance, investments, partnerships and transactions. He also supervises Orco Germany and the legal department, business planning and investors relations.

# Proposed reappointment of three independent directors

- Silvano Pedretti, 45, independent director; began his property career in 1988 with Bouygues Immobilier and then Eiffage until 1993, when he joined Orco Property Group as associate Vice President. He left his operational functions at Orco at the end of 2003. He remains an independent member of the Board of Directors and develops franchise investment activities. In 2004 he was appointed External Trade Consultant for commercial relations between France and the Czech Republic, and was a candidate in the European elections on an independent Czech list.
- Guy Wallier, independent director, Chairman of the CFPMI (Compagnie française de participations mobilières et immobilières).
- Pierre Cornet, independent director, Chairman of Cher Initiative, and director of the “Centre Capital Développement”

# New directors proposed

- Ales Vobruba, 49, manager of Orco Czech Republic and Orco Slovakia. Ales will contribute his expertise in project financing. Ales Vobruba joined Orco Property Group in 1995, and is in charge of bank financing. He is also operations manager for the Czech and Slovak offices. Previously, Ales Vobruba worked for PZO Artia, for the transport and construction company Olomouc and for TAP / ARC (construction and advertising)
- Czech companies Prosperita Holding, Prosperita and Geofin AS representing SPMB (the investment vehicle of Martin Burda). As of today, Prosperita Investment holds 5,02 % of the shares and voting rights. Geofin AS holds itself 2,66% of the shares and voting rights
  - The Board of Directors of Orco Property Group considers it is natural that, as main shareholders of the Group, Prosperita and Martin Burda represented by Geofin As, are given the opportunity to bring at the Board level, their expertise as investors
  - The Board of Directors of Orco Property Group accordingly proposes that Prosperita will have two board seats and Geofin as Martin Burda one seat

# New independent director proposed: Bernard KLEINER

- 59, former chartered accountant
- Proposed as an independent director. Former managing partner of DKM Salustro Reydel, Bernard will contribute his front-line experience of audit and management and his profound knowledge of the Czech market
- Perfectly French-Czech bilingual, he worked with the Ministry of Finance of the Czecho-Slovak Republic and established the reform of the Czech accounting system in 1992-97
- With 23 years' experience as an auditor, he founded an accounting and audit consultancy, and in 2001 was appointed External Trade Consultant to the French government
- In 2005 he was appointed Director of Development and International Partnerships
- His expertise will be of great help to the Orco Property Group and the Board of Directors proposes to appoint him chairman of the Group Audit Committee

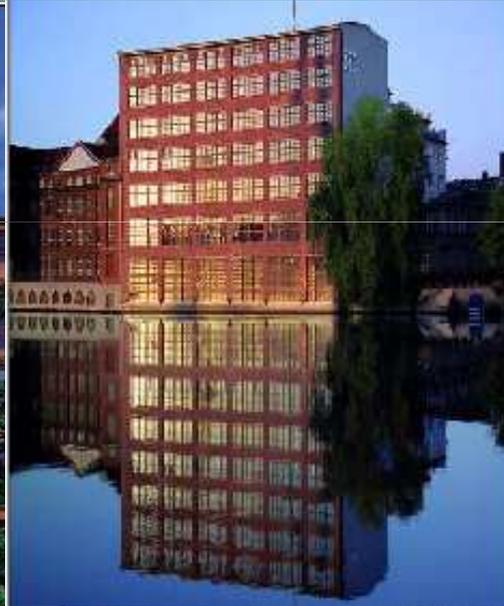
# New independent director proposed : Robert COUCKE

- 58, property developer
- Proposed as an independent director
- Long-time individual shareholder in Orco Property Group, Robert Coucke will contribute his experience of major groups and his knowledge of French real estate development
- His career has been entirely in the property sector. After starting at the Fédération de Promoteurs Constructeurs, he successively joined the Pelège Group, Efidis (Perexia Group - Crédit Foncier de France) and the property subsidiary of the Eiffage group. Since 2002 he has been operations manager, a French property developer
- His knowledge of accommodation, offices and shopping centre operations will be very valuable to the Board

# New independent director proposed : Alexis JUAN

- 66, banker. Proposed as an independent director
- Alexis Juan will bring the company his considerable international experience, his wide knowledge of Central & Eastern European markets and his experience in restructuring
- With a doctorate in law, he has built his career in the world of banking, at the Société Générale which he joined in 1968
- From 2001 to 2005 he was Chairman and CEO of the Komerční Banka in Prague, one of the principal banks in the Czech network, organizing its integration into the Société Générale
- The Board proposes to appoint him to the head of the Steering Committee for Financial and Operational Restructuring

# 6 Conclusion



# Conclusion

- *From creating value to generate recurrent cash flows : a profitable and sustainable growth strategy*
- *Preserve integrity of the company while streamlining its portfolio of projects*
- *Current management is implementing successfully the restructuring plan and the Sauvegarde*
- *Exit from the crisis with a safe structure*

# 7 Questions & Answers

