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INTEGRALE BOURSE –24/6/2009 – 3.22 pm Guest: Jean-François Ott – By telephone

SEBASTIEN COUASNON

Sidonie, our idea for this Wednesday's "Intégrale Bourse" is Orco Property, the property group that is beginning important negotiations to restructure its debt today.

SIDONIE WATRIGANT

And we have with us the group's founder and CEO, Jean-François OTT, Good afternoon

JEAN-FRANÇOIS OTT

Good afternoon.

SIDONIE WATRIGANT

So your property group has been granted protection from creditors during its restructuring, the French "*procédure de sauvegarde*", which gives it a breathing space, and Colony Capital is willing to invest in the group under certain conditions. What are these conditions, Mr Ott?

JEAN-FRANÇOIS OTT

Specific conditions which have been explained and which principally involve debt restructuring.

SIDONIE WATRIGANT

At €400 million, the group's debt is quite large isn't it?

JEAN-FRANÇOIS OTT

Quite so, a little more than €400 million repayable over a period from 2010 to 2014 which we are going to restructure beginning with today's negotiations.

SIDONIE WATRIGANT

And you have in fact begun your negotiations with your debt holders. Investors are quite optimistic about the outcome of these discussions, we saw how your share price rose yesterday. Are you optimistic too, Mr Ott?

JEAN-FRANÇOIS OTT

Listen, yes, I am an entrepreneur, so I am optimistic by nature. During the *sauvegarde* period we have to carry on working and remain resolutely confident in the future. I think that most of the bond holders, who I know have often participated in the placement of the bonds, believe in the future of our company and so are ready for a constructive dialogue.

SIDONIE WATRIGANT

Just as a reminder, you have been under the *procédure de sauvegarde* since the end of March, and you have to present a draft restructuring plan by mid-September. If you succeed, the deal with Colony is for the purchase of 80 million Orco shares at €7 a share, and in parallel a capital increase, is that it?

JEAN-FRANÇOIS OTT

To be more precise, the deal with Colony is the possibility for Colony to invest €80 million, but without going above 30% of Orco's equity. So that will depend on what the other shareholders in Orco, who will also have the possibility of subscribing at €7 a share, want to subscribe for.

SIDONIE WATRIGANT

We'll go back to your business activity Mr Ott, since it is all linked together, Orco Property Group is a property group specialising in Central Europe, your business is in Eastern and Central Europe, in particular in Prague. I suppose you have suffered from the very marked slowdown in business in this region?

JEAN-FRANÇOIS OTT

We have indeed suffered from a number of things, I think that what has hit us hardest is the financial crisis. In general Central Europe as a market has indeed slowed, but that has not had a direct impact on the real estate business, which largely consists of rent collection, since our rents are stable with a default rate that is 1.5% of the total. On the other hand, we also have our development activity in the residential sector, and there we have really seen a great difference between cities, with capitals such as Prague and Warsaw that have continued to function, but with a very, very marked slowdown in smaller cities and towns. Finally, in our proprietary development business, that is to say buildings we construct for the group, and which are therefore dependent on levels of pre-letting, that is really where we have been hit by the general slowdown in the economy.

SIDONIE WATRIGANT

You are faced with a big challenge in this restructuring of your debt. In principle, this will be resolved around September. What further projects have you in view?

JEAN-FRANÇOIS OTT

Listen, I created Orco 18 years ago, I'm 44, and Orco is as old as the market in Central Europe, which is a market that only opened, as people often forget, after the fall of the Berlin Wall, so it's a very young market, one which is more fragile than in Western Europe, and which has been hit by the crisis in a pretty spectacular way, it's true, at least as far as its foundations go. But I'm confident, because we are in countries where there is real domestic demand, there is a need for apartments, which is our residential activity, and a need for offices, with development levels that are still four to five times less than in Western Europe. So I am very confident in Orco's future, and our track record, with over 150 projects behind us and more than €2 billion in assets, I think these are solid foundations for moving forward after our restructuring.

SIDONIE WATRIGANT

We'll let you get on with your negotiations, since you are right in the middle of things, Jean-François Ott...

JEAN-FRANÇOIS OTT

Yes, I must get back.

SIDONIE WATRIGANT

Thank you very much, CEO of Orco Property Group, the best of luck, and have a very good day.

JEAN-FRANÇOIS OTT

Thank you.

SEBASTIEN COUASNON

On the Paris market Orco shares are up 1.5%, close to the market rise, at €6.18, the CAC is up 1.32 at 3,154. In 30 seconds, we shall be in Wall Street. 3.27 pm, END]