

Press Release

Luxembourg, 31 August 2017

ORCO PROPERTY GROUP

H1 2017 Financial Results

Key recent events

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The annual general meeting of the shareholders of ORCO PROPERTY GROUP (the "**Company**" and together with its subsidiaries as the "**Group**") was held on 24 May 2017 in Luxembourg (the "**Annual Meeting**"), with approximately 97.35% of the voting rights present or represented.

The Annual Meeting approved the statutory annual accounts and consolidated annual accounts for the financial year ending 31 December 2016, as well as the allocation of financial results for the financial year ending 31 December 2016. The Annual Meeting further granted a discharge to the members of the Company's Board of Directors as well as to the auditors for the performance of their duties during the financial year ending 31 December 2016. The Annual Meeting also resolved to appoint the following persons as members of the Company's Board of Directors as of the date of the Annual Meeting and until the annual general meeting of 2018 concerning the approval of the annual accounts for the financial year ending 31 December 2017: Jiří Dederá, Edward Hughes and Erik Morgenstern. Jiří Dederá was also elected Managing Director (*administrateur délégué*) of the Company. The Annual Meeting finally resolved to appoint KPMG Luxembourg as an auditor (*réviseur d'entreprises agréé*) of the Company until the annual general meeting of 2018 concerning the approval of the annual accounts for the financial year ending 31 December 2017.

SUSPENSION OF TRADING IN WARSAW:

On 17 February 2017, the Warsaw Stock Exchange informed the Company, that it had suspended trading of the Company shares on the Warsaw Stock Exchange.

DISPOSAL OF CAPELLEN OFFICE BUILDING:

The Company disposed the office building in Capellen, Luxembourg. The building with a leasable area of approximately 7,700 square meters, located in the Capellen business park just outside of the City of Luxembourg, was sold to a private investor. The transaction, structured as a share deal, was completed on 25 January 2017.

INCREASE OF SHARE IN THE JOINT VENTURE:

On 29 June 2017, the Company and Unibail-Rodamco entered into documentation modifying parameters of their joint venture. The agreed modifications include, inter alia, the increase of the

Company's share in the joint venture from 20% to 35%, certain governance rights as well as modifications of timeframe and parameters of the joint venture.

The joint venture, aimed at developing of a prime shopping centre, is comprised of a 3.6 hectare plot located in the Bubny area, in downtown Prague. The parties will continue to focus on implementing of the development of the Anchor shopping centre in the Bubny area.

Financial highlights

Over the first half of 2017, the Group recorded a net profit attributable to owners of the Company in the amount of EUR 62.6 million compared to EUR 8.5 million in H1 2016.

Total revenues decreased year-on-year to EUR 1.4 million for the first half of 2017 compared to EUR 4.7 million over the same period in 2016 mainly due to disposal of properties in 2016 and 2017. Operating result as of June 2017 is represented by gain of EUR 78.2 million compared to EUR 15.0 million over the same period in 2016. The improvement of result is mainly due to the positive fair value adjustment on investment property.

Financial result improved from a loss of EUR 4.8 million to a gain of EUR 94 thousand as at 30 June 2017 due to increase in interest income from loans provided to related parties.

Income statement

Income statement for the six month period ended on 30 June 2017 is as follows:

TEUR	30 June 2017	30 June 2016
Gross rental income	1,189	3,474
Service revenues	--	28
Net service charge income	(55)	783
Property operating expenses	(837)	(1,223)
Net rental income	297	3,062
Development sales	198	432
Cost of goods sold	(61)	(373)
Net development income	137	59
Total revenues	1,332	4,717
Total direct business operating expenses	(898)	(1,596)
Net business income	434	3,121
Net valuation gain or loss on inv. property	74,499	10,303
Net gain or loss on disposal of inv. property	(21)	(440)
Net gain or loss on disposal of subsidiaries	1,056	2,045
Amortization, depreciation and impairments	3,098	1,985
Other operating income	163	315
Administrative expenses	(913)	(2,146)
Other operating expenses	(103)	(209)
Operating result	78,213	14,974
Interest income	19,212	384
Interest expense	(10,708)	(4,124)
Other net financial result	(8,410)	(1,037)
Net finance income / (costs)	94	(4,777)
Share of profit of equity-accounted investees (net of tax)	(1,009)	1,041
Profit / (Loss) before income tax	77,298	11,238
Income tax expense	(14,686)	(2,682)
Net profit / (Loss) for the period	62,612	8,556

Net rental income

Net rental income decreased by 90% to EUR 0.3 million in H1 2017 (H1 2016: EUR 3.1 million). The negative impact of the decrease in gross rental income of 66%, reflecting the disposal of non-core properties in 2016 and 2017.

Net valuation gain

The net valuation gain for the first six months of 2017 amounts to EUR 74.5 million (H1 2016: EUR 10.3 million) which comprises of valuations carried out for Czech properties Bubny, Pragovka and Bubenská. Its gain was driven primarily by the general market conditions as well as by improved assumptions (mainly on ERV and yields) retained by the external valuation experts.

Administrative expenses

Administrative expenses decreased by 57.5% to EUR 0.9 million in H1 2017 compared to EUR 2.2 million in H1 2016. During 2016 there was a significant cost reduction and this trend continued in H1 2017. Other determinants causing the reduction of costs were the disposals of entities in 2016 and 2017.

Net finance income

Total net finance result dropped from net loss of EUR 4.8 million in H1 2016 to net gain of EUR 0.1 million in H1 2017. The interest income increased from EUR 0.4 million in H1 2016 to EUR 19.2 million in H1 2017. The increase in interest income reflects the provision of new loans by the Company to the third parties. These loans bear an interest rate between 6% - 12%.

Other net financial result

The other net financial result decreased from a loss of EUR 1.0 million to EUR 8.4 million as at 30 June 2017. The main cause of this deterioration is the exchange rate loss (EUR 10.9 million) resulting from the transactions between the Company and CPI Property Group (mainly Czech Property Investments, a.s., whose functional currency is Czech koruna). The Czech koruna has been steadily appreciating since April 2017, when the Czech National Bank ended its Czech koruna floor commitment.

The loss from the exchange rate is partly compensated by the fair value gain on the derivative assets (EUR 3.2 million) reflecting the value of the subscription rights for the new shares of CPI Property Group.

Balance sheet

TEUR	30 June 2017	31 December 2016
NON-CURRENT ASSETS		
Investment property	319,919	239,790
Property, plant and equipment	26	26
Available-for-sale financial assets	34,893	33,046
Loans provided	545,351	149,850
Trade and other receivables	92	85
Deferred tax assets	113,514	114,025
Total non-current assets	1,013,795	536,822
CURRENT ASSETS		
Inventories	6,689	6,524
Current income tax receivables	283	--
Derivative instruments	41,903	38,732
Trade receivables	3,688	3,833
Loans provided	19,496	993
Cash and cash equivalents	1,483	2,215
Other current assets	1,237	1,338
Assets held for sale	393	23,209
Total current assets	75,172	76,844
TOTAL ASSETS	1,088,967	613,666
EQUITY		
Equity attributable to owners of the Company	485,682	412,798
Non-controlling interests	475	475
Total equity	486,157	413,273
NON-CURRENT LIABILITIES		
Bonds issued	12,655	12,482
Financial debts	507,172	128,348
Deferred tax liabilities	27,830	12,911
Provisions	1,363	1,712
Other non-current liabilities	5,300	3,524
Total non-current liabilities	554,320	158,977
CURRENT LIABILITIES		
Bonds issued	141	142
Financial debts	39,410	20,718
Trade payables	1,638	1,657
Advance payments	255	395
Derivative instruments	--	7
Other current liabilities	7,046	3,629
Liabilities linked to assets held for sale	--	14,868
Total current liabilities	48,490	41,416
TOTAL EQUITY AND LIABILITIES	1,088,967	613,666

Total assets and total liabilities

Total assets increased by EUR 475.3 million (31%) to EUR 1,089 million as at 30 June 2017. The increase is a result of valuation of Investment property and providing new long-term loans to the CPI Property Group.

Non-current and current liabilities total EUR 602.8 million as at 30 June 2017 which represents an increase by EUR 402.4 million (67%) compared to 31 December 2016. The main driver of this increase was an additional drawdown of a loan provided by Czech Property Investment, a.s.

EPRA Net assets value

The EPRA Net Asset Value per share as of 30 June 2017 is EUR 0.39 compared to EUR 0.32 as at December 2016.

The Triple NAV amounts to EUR 0.37 per share compared to EUR 0.31 at the end of last year. The calculation is compliant with the EPRA (European Public Real Estate Associations) "Triple Net Asset Value per share" standard methodology which is described below.

	June 2017	December 2016
Consolidated equity	485,682	412,798
Deferred taxes on revaluations	25,397	12,826
EPRA Net asset value	511,079	425,624
Existing shares (in thousands)	1,314,508	1,314,508
Net asset value in EUR per share	0.39	0.32
EPRA Net asset value	511,079	425,624
Deferred taxes on revaluations	(25,397)	(12,826)
Fair value adjustment of bonds issued by the Group (**)	--	--
EPRA Triple Net asset value (*)	485,682	412,798
Fully diluted shares	1,314,508	1,314,508
Triple net asset value in EUR per share	0.37	0.31

(*) EPRA Triple Net Asset Value Methodology:

The triple NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

- Effect of dilutive instruments: financial instruments issued by company are taken into account when they have a dilutive impact on NAV, meaning when the exercise price is lower than the NAV per share. The number of shares resulting from the exercise of the dilutive instruments is added to the number of existing shares to obtain the fully diluted number of shares.
- Derivative instruments: the calculation includes the surplus or deficit arising from the mark to market of financial instruments which are economically effective hedges but do not qualify for hedge accounting under IFRS, including related foreign exchange differences.
- Market value of bonds: an estimate of the market of the bonds issued by the group. It is the difference between group share in the IFRS carrying value of the bonds and their market value.

As part of the EPRA requirements, OPG discloses the calculation of EPRA NAV and EPRA NNNAV.

Over the first half of 2017 the consolidated equity increased by EUR 73 million. The main driver of this increase is the profit of the period amounting to EUR 62.6 million.

For full Interim Management Report as of 30 June 2017, including Condensed Consolidated Interim Financial Statements as at 30 June 2017 please refer to our website at www.orcogroup.com.