

*Press Release*

*Luxembourg, 30 November 2017*

## ORCO PROPERTY GROUP

### Q3 2017 Financial Results

Key recent events

#### REDEMPTION OF THE NOTES

In November 2017, Orco Property Group S.A. (the “**Company**” or “**OPG**”) redeemed all of the outstanding notes registered under ISIN code XS0820547742 (the “**Notes**”). The Notes have been cancelled.

#### ACQUISITIONS OF STAKES IN REAL ESTATE PROJECTS IN CZECHIA

In November 2017, the Company acquired 20% stakes in two real estate projects located in Czechia. The first project, with land plots of approximately 55.8 thousand square meters, is located in an attractive part of Prague 9. The second project, with land plots of approximately 395 thousand square meters, is located in Řitka, approximately 30 kilometres southwest of Prague. The remaining 80% stakes were acquired by another entity from CPI Property Group structure.

#### DISPOSAL OF LAND BANK IN CZECHIA

The Company disposed of its land bank project in Pardubice, Czechia. The disposed land of approximately 52,000 square meters was sold to ČSOB Pojišťovna group. The transaction was structured as a share deal. In November 2017, the Company also disposed of 80% stake in an entity holding approximately 107 thousand square meters in Prague to another entity from CPI Property Group structure.

## Financial highlights

Performance		30-Sep-17	30-Sep-16	Change
Gross rental income	€ thousands	1,607	6,080	-74%
Total revenues	€ thousands	1,532	8,280	-81%
Operating result	€ thousands	77,165	15,622	394%
Net profit for the period	€ thousands	63,912	10,193	527%

Assets		30-Sep-17	31-Dec-16	Change
Total assets	€ thousands	1,158,999	613,666	89%
EPRA NAV	€ thousands	511,833	425,624	20%
Property Portfolio	€ thousands	327,027	269,140	22%
Gross leasable area	sqm	28,000	36,000	-22%
Occupancy in %	%	77%	81%	-4.0 pp
Land bank area	sqm	13,649,000	13,649,000	0%
Total number of properties	No.	5	6	-17%

Financing structure		30-Sep-17	31-Dec-16	Change
Total equity	€ thousands	489,159	413,273	18%
Equity ratio	%	42%	67%	-25.0 pp
Net debt	€ thousands	18,972	32,712	-42%
Project LTV	%	5.8%	13.3%	-7.5 pp

## Unaudited Income statement

€ thousands	30-Sep-17	30-Sep-16
Gross rental income	1,607	6,080
Service revenues	37	26
Net service charge income	(326)	618
Property operating expenses	(1,199)	(3,937)
<b>Net rental income</b>	<b>119</b>	<b>2,787</b>
Development sales	214	1,556
Cost of goods sold	(161)	(2,754)
<b>Net development income</b>	<b>53</b>	<b>(1,198)</b>
<b>Total revenues</b>	<b>1,532</b>	<b>8,280</b>
<b>Total direct business operating expenses</b>	<b>(1,360)</b>	<b>(6,691)</b>
<b>Net business income</b>	<b>172</b>	<b>1,589</b>
Net valuation gain or loss on inv. property	74,233	8,496
Net gain or loss on disposal of inv. property	(39)	238
Net gain or loss on disposal of subsidiaries	1,055	2,036
Amortization, depreciation and impairments	3,153	4,348
Other operating income	140	289
Administrative expenses	(1,348)	(1,183)
Other operating expenses	(201)	(191)
<b>Operating result</b>	<b>77,165</b>	<b>15,622</b>
Interest income	33,606	900
Interest expense	(18,567)	(5,446)
Other net financial result	(12,291)	507
<b>Net finance income / (costs)</b>	<b>2,748</b>	<b>(4,039)</b>
Share of profit of equity-accounted investees (net of tax)	(1,009)	961
<b>Profit / (Loss) before income tax</b>	<b>78,904</b>	<b>12,544</b>
Income tax expense	(14,992)	(2,351)
<b>Net Profit for the period</b>	<b>63,912</b>	<b>10,193</b>

Over the nine months of 2017, the OPG group recorded a net profit in the amount of €63.9 million compared to €10.2 million in Q3 2016.

Total revenues decreased year-on-year to €1.5 million for the nine months of 2017 compared to €8.3 million over the same period in 2016 mainly due to disposal of properties in 2016 and 2017.

Operating result as of September 2017 is represented by gain of €77.2 million compared to €15.6 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 €4.0 million to a gain of €2.7 million as at 30 September 2017 due to increase in interest income from loans provided to related parties.

## Unaudited Statement of financial position

€ thousands	30-Sep-17	30-Dec-16
<b>NON-CURRENT ASSETS</b>		
Investment property	320,447	239,790
Property, plant and equipment	30	26
Available-for-sale financial assets	34,893	33,046
Loans provided	593,907	149,850
Trade and other receivables	90	85
Deferred tax assets	114,025	114,025
<b>Total non-current assets</b>	<b>1,063,392</b>	<b>536,822</b>
<b>CURRENT ASSETS</b>		
Inventories	6,205	6,524
Current income tax receivables	282	--
Derivative instruments	41,903	38,732
Trade receivables	3,851	3,833
Loans provided	32,643	993
Cash and cash equivalents	1,475	2,215
Other current assets	8,862	1,338
Assets held for sale	386	23,209
<b>Total current assets</b>	<b>95,607</b>	<b>76,844</b>
<b>TOTAL ASSETS</b>	<b>1,158,999</b>	<b>613,666</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company	488,684	412,798
Non-controlling interests	475	475
<b>Total equity</b>	<b>489,159</b>	<b>413,273</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	12,741	12,482
Financial debts	562,845	128,348
Deferred tax liabilities	28,743	12,911
Provisions	1,452	1,712
Other non-current liabilities	5,444	3,524
<b>Total non-current liabilities</b>	<b>611,225</b>	<b>158,977</b>
<b>CURRENT LIABILITIES</b>		
Bonds issued	381	142
Financial debts	48,879	20,718
Trade payables	2,009	1,657
Advance payments	325	395
Derivative instruments	--	7
Other current liabilities	7,021	3,629
Liabilities linked to assets held for sale	--	14,868
<b>Total current liabilities</b>	<b>58,615</b>	<b>41,416</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,158,999</b>	<b>613,666</b>

Total assets increased by €545.3 million (89%) to €1,159 million as at 30 September 2017. The increase is a result of valuation of Investment property and increase in long-term loans with entities in CPI Property Group.

Non-current and current liabilities total €669.8 million as at 30 September 2017 which represents an increase by €469.5 million (234%) compared to 31 December 2016. The main driver of this change was an increase in a loan from within CPI Property Group.

The Project LTV ratio as at 30 September 2017 is 5.8% and decreased compared to 13.3% as at 31 December 2016.

<b>Project LTV</b>		
€ thousands	30-Sep-17	31-Dec-16
<b>Non current liabilities</b>		
Financial debts (adjusted)*	2,787	2,892
Non-current Bonds	12,741	12,482
<b>Current liabilities</b>		
Financial debts (adjusted)*	4,538	4,543
Current Bonds	381	142
Liabilities linked to assets held for sale	-	14,868
<b>Current assets</b>		
Cash and cash equivalents	(1,475)	(2,215)
<b>Net debt</b>	<b>18,972</b>	<b>32,712</b>
Investment property	320,447	239,790
Inventories	6,205	6,524
<b>Fair value of Property portfolio</b>	<b>326,652</b>	<b>246,314</b>
<b>Project LTV</b>	<b>5.8%</b>	<b>13.3%</b>

\* financial debts less sum of borrowings from within CPI Property Group

Total amount of financial liabilities including bonds is €20.4 million as at 30 September 2017 in comparison to €34.9 million as of 31 December 2016. Fair value of Property portfolio increased from €246.3 million as at 31 December 2016 to €326.7 million as at 30 September 2017.

The EPRA NAV per share as of 30 September 2017 is €0.39 compared to €0.32 as at 31 December 2016.

<b>EPRA NAV per share</b>		
€ thousands	30-Sep-17	31-Dec-16
<b>Consolidated equity</b>	<b>485,682</b>	<b>412,798</b>
Fair Value adjustment on assets held for sale	-	-
Fair value adjustments on inventories	-	-
Deferred taxes on revaluations	26,151	12,826
Goodwill	-	-
Own equity instruments	-	-
<b>EPRA Net asset value</b>	<b>511,833</b>	<b>425,624</b>
Existing shares (in thousands)	1,314,508	1,314,508
<b>Net asset value in EUR per share</b>	<b>0.39</b>	<b>0.32</b>

For more information please refer to our website at [www.orcogroup.com](http://www.orcogroup.com) or contact us at [investors@orcogroup.com](mailto:investors@orcogroup.com).

## GLOSSARY

The Group presents alternative performance measures (APMs). The APMs used in this press release are commonly referred to and analysed amongst professionals participating in the Real Estate Sector to reflect the underlying business performance and to enhance comparability both between different companies in the sector and between different financial periods. APMs should not be considered as a substitute for measures of performance in accordance with the IFRS. The presentation of APMs in the Real Estate Sector is considered advantageous by various participants, including banks, analysts, bondholders and other users of financial information:

- APMs provide additional helpful and useful information in a concise and practical manner.
- APMs are commonly used by senior management and Board of Directors for their decisions and setting of mid and longterm strategy of the Group and assist in discussion with outside parties.
- APMs in some cases might better reflect key trends in the Group's performance which are specific to that sector, i.e. APMs are a way for the management to highlight the key value drivers within the business that may not be obvious in the consolidated financial statements.

### *EPRA Net Asset Value per share*

EPRA Net Asset Value per share is defined as EPRA NAV divided by the diluted number of shares at the end of period.

### *EPRA NAV*

EPRA NAV is a measure of the fair value of net assets assuming a normal investment property company business model. Accordingly, there is an assumption of owning and operating investment property for the long term. For this reason, deferred taxes on property revaluations and the fair value of deferred tax liabilities are excluded as the investment property is not expected to be sold and the tax liability is not expected to materialize. In addition, the fair value of financial instruments which the company intends to hold to maturity is excluded as these will cancel out on settlement. All other assets including trading property, finance leases, and investments reported at cost are adjusted to fair value.

The performance indicator has been prepared in accordance with best practices as defined by EPRA (European Public Real Estate Association) in its Best Practices Recommendations guide, available on EPRA's website ([www.epra.com](http://www.epra.com)).

### *Equity ratio*

Equity Ratio provides a general assessment of financial risk undertaken. It is calculated as Total Equity divided by Total Assets.

### *Gross Leasable Area*

Gross leasable area (GLA) is the amount of floor space available to be rented. Gross leasable area is the area for which tenants pay rent, and thus the area that produces income for the property owner.

### *Occupancy rate*

The ratio of leased premises to total GLA.

### *Project Loan-to-Value*

Project Loan-to-Value ("Project LTV ratio") provides a general assessment of financing risk undertaken. It is calculated as Adjusted Net Debt divided by fair value of Property Portfolio. Net Debt is borrowings plus bank overdraft less sum of borrowings from within CPI Property Group and cash and cash equivalents.

In 2017 the Group redefined "LTV ratio" to "Project LTV ratio" due to:

- The Company received loans from related entities within CPI Property Group;
- These loans are not connected to any of OPG projects;
- These loans are provided by related entities and are part of a financing structure within CPI Property Group structure;

If included in LTV ratio calculation it the information would be misleading as it would not provide the reader an information on financing risk undertaken by the Group.

Comparative figure of newly defined Project LTV ratio has been disclosed.

### *Property Portfolio*

Property Portfolio covers all properties held by the Group, independent of the balance sheet classification, from which the Group incurs rental or other operating income.

In 2017 the Group redefined "Property portfolio" due to:

- Previous definition of Property portfolio included derivative instruments, intragroup loans etc. which are not means of the Group business
- The Group decided to include only those assets which clearly show business focus of the Group

Comparative figure of newly defined Property Portfolio ratio has been disclosed.