

*Press Release*

*Luxembourg, 13 April 2018*

## **ORCO PROPERTY GROUP**

### **2017 Financial Results**

Key recent events

#### ACQUISITION OF LAND BANKS IN CZECHIA

In December 2017, ORCO PROPERTY GROUP (the "Company" and together with its subsidiaries as the "Group") acquired a portfolio of lands located in the North & West Bohemia regions of Czechia, mostly along the D5 & D8 motorways, totalling approximately 3.8 million square meters. As part of the portfolio, the Company also acquired 50% stake on a historical building located in the historic centre of Prague.

#### 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.

#### 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.

#### TRADING OF SHARES IN LUXEMBOURG AND WARSAW

The Company shares (ISIN: LU0122624777) resumed trading on the Luxembourg and Warsaw Stock Exchanges on 15 December 2017.

#### SUBSCRIPTION OF SHARES IN CPI PROPERTY GROUP

On 22 December 2017, the Company subscribed to 159,132,897 new shares in CPI PROPERTY GROUP. The new shares, having a par value and a subscription price of EUR 0.10 each, were issued in a reserved capital increase under the CPI PROPERTY GROUP's authorized share capital for cash contribution. The Company holds approximately 2.66% shares in CPI PROPERTY GROUP.

## Financial highlights

Performance		31-Dec-17	31-Dec-16	Change
Gross rental income	€ thousands	2,156	7,212	(70.1%)
Total revenues	€ thousands	5,618	15,097	(62.8%)
Operating result	€ thousands	116,140	21,211	447.6%
Net profit for the period	€ thousands	137,279	164,244	(16.4%)

Assets		31-Dec-17	31-Dec-16	Change
Total assets	€ thousands	1,980,303	613,666	222.7%
EPRA NAV	€ thousands	598,736	425,624	40.7%
Property Portfolio	€ thousands	457,000	269,140	69.8%
Gross leasable area	sqm	28,000	36,000	(22.2%)
Occupancy in %	%	82%	81%	1.0 pp
Land bank area	sqm	17,675,000	13,649,000	29.5%
Total number of properties	No.	6	6	0%

Financing structure		31-Dec-17	31-Dec-16	Change
Total equity	€ thousands	628,371	413,273	52.0%
Equity ratio	%	32%	67%	(35.0 pp)
Net debt	€ thousands	(10,901)	32,712	(133%)
Project LTV	%	(2.4)%	13.3%	(15.7 pp)

## Income statement

The income statement for the 12 months period ended on 31 December 2017 and 31 December 2016 is as follows:

€ thousands	31-Dec-17	31-Dec-16
Gross rental income	2,156	7,212
Service revenues	3,180	3,656
Net service charge income/(expense)	(313)	1,884
Property operating expenses	(1,272)	(2,751)
<b>Net rental income</b>	<b>3,751</b>	<b>10,001</b>
Development sales	595	2,345
Cost of goods sold	(505)	(1,955)
<b>Net development income</b>	<b>90</b>	<b>390</b>
<b>Total revenues</b>	<b>5,618</b>	<b>15,097</b>
<b>Total direct business operating expenses</b>	<b>(1,777)</b>	<b>(4,706)</b>
<b>Net business income</b>	<b>3,841</b>	<b>10,391</b>
Net valuation gain on inv. property	113,013	7,065
Net gain or loss on disposal of inv. property	(15)	481
Net gain on disposal of subsidiaries	50	5,370
Amortization, depreciation and impairments	2,138	417
Other operating income	241	1,990
Administrative expenses	(2,028)	(4,316)
Other operating expenses	(1,100)	(187)
<b>Operating result</b>	<b>116,140</b>	<b>21,211</b>
Interest income	56,572	2,201
Interest expense	(28,297)	(11,585)
Other net financial result	(3,806)	40,411
<b>Net finance income</b>	<b>24,469</b>	<b>31,027</b>
Share of profit of equity-accounted investees (net of tax)	6,217	(886)
<b>Profit / (Loss) before income tax</b>	<b>146,826</b>	<b>51,352</b>
Income tax expense	(9,547)	112,892
<b>Net Profit for the period</b>	<b>137,279</b>	<b>164,244</b>

### Net rental income

Net rental income decreased by 62.5% to EUR 3.8 million in 2017 (EUR 10.0 million in 2016). The negative impact of the decrease in gross rental income of 70.1%, reflecting the disposal of non-core properties in 2016 and 2017.

### Net valuation gain

The net valuation gain amounts to EUR 113.0 million (EUR 7.1 million in 2016) which comprises gain from valuation of Czech properties Bubny, Residence Pragovka, Bubenská and CD Property. 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 53.0% to EUR 2.0 million in 2017 compared to EUR 4.3 million in 2016. During 2016 there was a significant cost reduction and this trend continued in 2017. Other determinants causing the reduction of costs were the disposals of entities in 2016 and 2017.

### **Net finance income**

Total net finance income dropped from EUR 31.0 million in 2016 to EUR 24.5 million in 2017. The interest income increased from EUR 2.2 million in 2016 to EUR 56.6 million in 2017. The increase in interest income reflects the providing of new loans by the Company to the third parties. These loans bear interest rate between 6% - 12%.

### **Other net financial result**

The other net financial result worsened from a gain of EUR 40.4 million to a loss of EUR 3.8 million as at 31 December 2017. The main cause of this deterioration is change in fair value of derivative instrument amounts to EUR 11.3 million (EUR 38.9 million in 2016) and in the exchange rate loss (EUR 14.2 million) resulting from the transactions between the Company and CPI PROPERTY GROUP companies (mainly CPI 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 11.3 million).

## Balance sheet

€ thousands	30-Dec-17	31-Dec-16
<b>NON-CURRENT ASSETS</b>		
Intangible assets	--	--
Investment property	450,373	239,790
Property, plant and equipment	35	26
Equity-accounted investees	4,571	4
Available-for-sale financial assets	104,613	33,042
Loans provided	1,196,932	149,850
Trade and other receivables	12	85
Deferred tax assets	123,565	114,025
<b>Total non-current assets</b>	<b>1,880,101</b>	<b>536,822</b>
<b>CURRENT ASSETS</b>		
Inventories	6,348	6,524
Current income tax receivables	279	--
Derivative instruments	--	38,732
Trade receivables	4,540	3,833
Loans provided	68,490	993
Cash and cash equivalents	11,230	2,215
Other current assets	8,918	1,338
Assets held for sale	397	23,209
<b>Total current assets</b>	<b>100,202</b>	<b>76,844</b>
<b>TOTAL ASSETS</b>	<b>1,980,303</b>	<b>613,666</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company	565,688	412,798
Non-controlling interests	62,683	475
<b>Total equity</b>	<b>628,371</b>	<b>413,273</b>
<b>NON-CURRENT LIABILITIES</b>		
Bonds issued	--	12,482
Financial debts	1,113,884	128,348
Deferred tax liabilities	33,048	12,911
Provisions	1,559	1,712
Other non-current liabilities	1,991	3,524
<b>Total non-current liabilities</b>	<b>1,150,482</b>	<b>158,977</b>
<b>CURRENT LIABILITIES</b>		
Bonds issued	--	142
Financial debts	54,581	20,718
Trade payables	2,723	1,657
Advance payments	84,505	395
Derivative instruments	--	7
Other current liabilities	59,641	3,629
Liabilities linked to assets held for sale	--	14,868
<b>Total current liabilities</b>	<b>201,450</b>	<b>41,416</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,980,303</b>	<b>613,666</b>

## Total assets and total liabilities

Total assets increased by EUR 1,367 million or 222.7% to EUR 1,980 million as at 31 December 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 1,351.9 million as at 31 December 2017 which represents an increase by EUR 1,151.5 million or 574.6% compared to 31 December 2016. Main driver of this increase was an additional drawdown of loan provided by Czech Property Investments, a.s. and a new loan provided to the Company by CPI PROPERTY GROUP.

## EPRA Net assets value

The EPRA Net Asset Value per share as of 31 December 2017 is EUR 0.46 compared to EUR 0.32 as at December 2016.

The Triple NAV amounts to EUR 0.43 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.

	December 2017	December 2016
<b>Consolidated equity</b>	<b>565,688</b>	<b>412,798</b>
Fair Value adjustment on asset held for sales	--	--
Fair value adjustments on inventories	--	--
Deferred taxes on revaluations	33,048	12,826
Goodwill	--	--
Own equity instruments	--	--
<b>EPRA Net asset value</b>	<b>598,736</b>	<b>425,624</b>
Existing shares (in thousands)	1,314,508	1,314,508
Net asset value in EUR per share	0.46	0.32
<b>EPRA Net asset value</b>	<b>598,736</b>	<b>425,624</b>
Deferred taxes on revaluations	(33,048)	(12,826)
Fair value adjustment of bonds issued by the Group	--	--
<b>EPRA Triple Net asset value (*)</b>	<b>565,688</b>	<b>412,798</b>
Fully diluted shares	1,314,508	1,314,508
Triple net asset value in EUR per share	0.43	0.31

Over the year 2017 the consolidated equity increased by EUR 152.9 million. The main driver of this increase is the profit of the period amounting to EUR 137.3 million.

*For disclosures regarding Alternative Performance Measures used in this press release please refer to our 2017 Financial Information, chapter GLOSSARY & DEFINITIONS; accessible at <http://www.orcogroup.com/investors/financial-documentation/full-year-documents.php>.*

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).