ORCO PROPERTY GROUP

Press Release

Luxembourg, 30 November 2018

ORCO PROPERTY GROUP reports financial information for the third quarter of 2018

ORCO PROPERTY GROUP (hereinafter "**OPG**", the "**Company**" or together with its subsidiaries the "**Group**"), a real estate group with a portfolio in Central and Eastern Europe, is pleased to publish financial information for the third quarter of 2018.

As at 30 September 2018, CPI PROPERTY GROUP S.A. (hereinafter also the "**CPI PG**", and together with its subsidiaries as the "**CPI PG Group**") indirectly owns 97.31% of the Company shares (97.31% voting rights).

Financial highlights

Performance		30-Sep-18	30-Sep-17	Change
Gross rental income	€ thousands	1,141	1,607	(29%)
Total revenues	€ thousands	14,697	1,532	859%
Operating result	€ thousands	7,199	71,368	(90%)
Net profit for the period	€ thousands	35,774	63,912	(44%)

Assets		30-Sep-18	31-Dec-17	Change
Total assets	€ thousands	2,736,811	1,980,303	38%
EPRA NAV	€ thousands	635,756	598,736	6%
Property Portfolio	€ thousands	474,006	461,689	3%
Gross leasable area	sqm	28,000	28,000	0%
Occupancy in %	%	90%	82%	8 pp
Land bank area	sqm	17,655,500	17,675,000	(0.1%)
Total number of properties	No.	6	6	0%

Financing structure		30-Sep-18	31-Dec-17	Change
Total equity	€ thousands	769,271	628,371	22%
Equity ratio	%	28%	32%	(4.0 pp)
Net debt	€ thousands	(43,392)	(10,901)	298%
Project LTV	%	(9.2%)	(2.4%)	6.8 pp

Income statement

Income statement for the nine months period ended on 30 September 2018 is as follows:

€ thousands	30-Sep-18	30-Sep-17
Gross rental income	1,141	1,607
Service revenues	13,821	37
Net service charge income	(275)	(326)
Property operating expenses	(884)	(1,199)
Net rental income	**13,803**	**119**
Development sales	10	214
Cost of goods sold	(7)	(161)
Net development income	**3**	**53**
Total revenues	**14,697**	**1,532**
Total direct business operating expenses	**(891)**	**(1,360)**
Net business income	**13,806**	**172**
Net valuation gain on investment property*	1,155	68,436
Net gain on disposals	3,006	1,016
Amortization, depreciation and impairments	(2,434)	3,153
Other operating income	923	140
Administrative expenses	(9,171)	(1,348)
Other operating expenses	(86)	(201)
Operating result	**7,199**	**71,368**
Interest income	77,145	33,606
Interest expense	(39,082)	(18,567)
Other net financial result*	(1,002)	(6,494)
Net finance income	**37,061**	**8,545**
Share of profit of equity-accounted investees (net of tax)	(562)	(1,009)
Profit before income tax	**43,698**	**78,904**
Income tax expense	(7,924)	(14,992)
Net Profit for the period	**35,774**	**63,912**

** the Group changed the presentation of unrealized foreign exchange gains/losses on property portfolio arising from the changes in FX rates in cases, when the property portfolio is valued in other currency than the functional currency of the respective SPV. FX gain/loss on property portfolio, which was recognized as part of **Other net financial result**, was reclassified to **Net valuation gain on investment property**. The comparative amounts have been restated in these regards.*

Total revenues

Total revenues increased to EUR 14.7 million for the nine months of 2018 compared to EUR 1.5 million over the same period in 2017 mainly due to the provision of advisory services to entities controlled by the ultimate shareholder of the Group.

Net valuation gain on investment property

The Group did not revaluate its property portfolio during the first 9 month of 2018. For the same period of 2017, the Group recognized valuation gain of 74.2 million, arising mainly from the revaluation of two land bank projects and one office project located in the Czech Republic.

Generally, the net valuation gain includes unrealized foreign exchange gains/losses related to the portion of the Group´s property portfolio which is valued in CZK (gain of EUR 1.2 million for 9 months of 2018). The comparative figure for 2017 has also been adjusted in this regard (loss of EUR 5.8 million for 9 months of 2017) as we have reclassified FX revaluation gains from “other net financial result” to “net valuation gain on investment property”.

Operating result

Operating result as of September 2018 is represented by gain of EUR 7.2 million compared to EUR 71.4 million over the same period in 2017. The deterioration of result is mainly due to fact, that the Group´s portfolio has not been revaluated as of 30 September 2018.

Net finance income

Net finance income improved from EUR 8.5 million to EUR 37.1 million for the nine months of 2018 due to increase in interest income from loans provided to related parties.

Balance sheet

€ thousands	30-Sep-18	31-Dec-17
NON-CURRENT ASSETS		
Intangible assets	11	--
Investment property	463,079	450,373
Property, plant and equipment	521	35
Equity-accounted investees	4,009	4,571
Available-for-sale financial assets	111,929	104,613
Loans provided	1,689,055	1,196,932
Trade and other receivables	12	12
Deferred tax assets	123,565	123,565
Total non-current assets	**2,392,181**	**1,880,101**
CURRENT ASSETS		
Inventories	6,530	6,348
Current income tax receivables	361	279
Trade receivables	11,912	4,540
Loans provided	212,259	68,490
Cash and cash equivalents	43,688	11,230
Other current assets	69,492	8,918
Assets held for sale	388	397
Total current assets	**344,630**	**100,202**
TOTAL ASSETS	**2,736,811**	**1,980,303**
EQUITY		
Equity attributable to owners of the Company	602,708	565,688
Non-controlling interests	166,563	62,683
Total equity	**769,271**	**628,371**
NON-CURRENT LIABILITIES		
Financial debts	1,730,874	1,113,884
Deferred tax liabilities	39,012	33,048
Provisions	1,575	1,559
Other non-current liabilities	1,895	1,991
Total non-current liabilities	**1,773,356**	**1,150,482**
CURRENT LIABILITIES		
Financial debts	120,477	54,581
Trade payables	11,921	2,723
Advance payments	329	84,505
Other current liabilities	61,457	59,641
Total current liabilities	**194,184**	**201,450**
TOTAL EQUITY AND LIABILITIES	**2,736,811**	**1,980,303**

Total assets and total liabilities

Total assets increased by EUR 756.5 million (38 %) to EUR 2,737 million as at 30 September 2018. The largest driver of this growth is the increase in long-term loans provided to entities within CPI PG Group. Loans provided increased by EUR 635.9 million (50 %) from EUR 1,265.4 million to EUR 1,901.3 million as at 30 September 2018.

Other driver of the increase in total assets is the advance payment of EUR 54.2 million paid to related party in connection with the intended purchase of bonds issued by Czech Property Investments, a.s.

Non-current and current liabilities total EUR 1,968 million as at 30 September 2018 which represents an increase by EUR 615.6 million (46 %) compared to 31 December 2017. The main driver of this growth was the additional drawdown of loan provided to the Group by CPI PG.
Other factor of the growth is the increase in trade payables attributable to advisory services provided to the Group by CPI PG Group.

The increase in total liabilities was partially offset by the decrease in advance payments. As at 31 December 2017 the Group recognized advance payment received by the Group from GSG Europa Beteiligungs GmbH (EUR 84.0 million) in connection with the intended sale of 80% stake in Bubny Development. The sale was realized in Q2 2018 and the Group maintains a control over Bubny Development through the ownership of the 20% stake.

Equity

Total equity increased by EUR 140.9 million (22 %), from EUR 628.4 million as at 31 December 2017 to EUR 769.3 million as at 30 September 2018. The main elements impacting equity were:

- an increase by EUR 35.8 million (profit for nine months of 2018);
- increase in non-controlling interest primarily due to the sale of 80% stake in Bubny Development (EUR 106 million);
- revaluation of CPI PG shares (increase of EUR 7.3 million);
- impairment recognized in connection with the initial application of IFRS 9 led to a decrease in equity of EUR 4.7 million.

Litigation

In October 2018, Kingstown's legal advisers filed additional submission to increase the amount of alleged damages claimed to EUR 157 million. The Company continues to believe the claim is without merit and intends to vigorously contest it. Hearings on the admissibility of the claim are expected to take place in early 2019.

For more information please refer to our website at www.orcogroup.com or contact us at 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 long-term 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).

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.

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.

APM reconciliation

EPRA NAV per share reconciliation (€ thousands)	30-Sep-18	31-Dec-17
Consolidated equity	602,708	565,688
Deferred taxes on revaluations	33,048	33,048
EPRA Net asset value	635,756	**598,736**
Existing shares (in thousands)	1,314,508	1,314,508
Net asset value in EUR per share	**0.48**	**0.46**

Project LTV ratio reconciliation (€ thousands)	30-Sep-18	31-Dec-17
Financial debts	296	329
Cash and cash equivalents	(43,688)	(11,230)
Net debt	**(43,392)**	**(10,901)**
Total property portfolio	**474,006**	**461,689**
Project LTV	**(9.2%)**	**(2.4%)**

Equity ratio reconciliation (€ thousands)	30-Sep-18	31-Dec-17
Total equity	769,271	628,371
Total assets	2,736,811	1,980,303
Equity ratio	**28%**	**32%**