

ORCO PROPERTY GROUP

Q3 2015 Financial Results

Key recent events

Termination of Safeguard plan:

- Considering the full payment by ORCO PROPERTY GROUP (the "Company" or "OPG" and together with its subsidiaries as the "Group") of its liabilities due under the Safeguard plan, the Paris Commercial Court (the "Court") pronounced on 26 October 2015 the termination of the Company's Safeguard Plan.
- The Safeguard was opened in favor of the Company by a judgement of the Court on 25 March 2009 pursuant to the European Regulation n°1346/2000 and articles L.620-1 et seq. of the French Commercial Code. The Safeguard Plan, approved by the Court on 19 May 2010, provided the Company with a ten year payment schedule to repay its liabilities admitted to Safeguard. In 2012 the Company successfully completed the Group's bond restructuring, which restructured EUR 411 million in nominal OPG bond debt (EUR 549 million in remaining Safeguard payments) and EUR 100 million in nominal former ORCO Germany bond debt (EUR 129 million including interest and redemption premium).
- Following the Company's reorganization that took place in 2014 the Company filed on 19 June 2015 a request aimed at the termination of its Safeguard Plan linked with an early repayment of those liabilities admitted to the Safeguard Plan that became due. By judgment dated 19 August 2015 the Court accepted the Company's request to modify its Safeguard Plan.
- The Company paid on 28 August 2015 the amount of EUR 9,762,152 for liabilities that are subject to and due under the Safeguard Plan to the Safeguard administrator. This amount included the remaining Safeguard bond debt (EUR 4,375,934) as well as debts towards suppliers and called bank guarantees (EUR 5,386,218). The Safeguard administrator proceeded with the distribution of the funds on or before 5 October 2015. Other liabilities that were admitted to the Safeguard, but are conditional or uncalled (such as uncalled bank guarantees, conditional claims of the holders of Warrants 2014 registered under ISIN code XS0290764728, provided that they were admitted to the Safeguard plan), will be paid according to their contractual terms. Pre-Safeguard liabilities that were not admitted to the Company's Safeguard will be unenforceable.

Listing of Shares in Luxembourg:

- On 30 September 2015 the *Commission de surveillance du secteur financier in Luxembourg* (the "CSSF") approved the prospectus (the "Prospectus") for the admission to trading on the regulated market of the Luxembourg Stock Exchange of 314,507,629 ordinary shares (ISIN code LU0122624777) with an accounting par value of € 0.10 each, representing the entire share capital of the Company and issued by the Company under the laws of the Grand Duchy of Luxembourg (the "Shares").
- The Prospectus also provides information in relation to the admission to trading on the regulated market of the NYSE Euronext Paris which constitutes a regulated market for the purposes of MiFID, of 200,000,000 shares (issued on 10 November 2014 and not yet admitted to trading on any regulated market, the "2014 Shares") out of the Company's entire share capital, since 114,507,629 shares have already been admitted to trading on the regulated markets of NYSE Euronext Paris and of the Warsaw Stock Exchange. The 2014 Shares issued on 10 November 2014 (ISIN code LU0122624777) have been admitted to trading on the regulated market of NYSE Euronext Paris on 15 October 2015.
- The Company contemplates to delist from the regulated markets of NYSE Euronext Paris and of the Warsaw Stock Exchange, subject to regulatory and legal requirements.

Exit from Kosik joint venture and minor disposal:

- On 26 November 2015 the Company sold its stake in Kosik, a residential project in Prague, to its joint venture partner. The transaction price is EUR 1.4 million. The Company has also proceeded with disposals or liquidation of certain subsidiaries that disposed of their assets and projects in the past. This is done in order to simplify the Group structure and decrease administration and management costs related thereto.

Q3 2015 Financial highlights

Over the nine months of 2015 the Group recorded net loss attributable to owners of the Company in the amount of EUR 20.8 million compared to a loss of EUR 18.3 million in Q3 2014.

- Total revenue decreased by EUR 74.8 million year-on-year to EUR 9.9 million, mainly as a result of sale of goods recognised on Zlota project in 2014. Apart from the Zlota impact, decreased development revenue reflects finished sales of units on projects V Mezihorí, Benice I and Mostecká.
- Operating result as of September 2015 is represented by loss of EUR 12.1 million compared to a gain of EUR 21.0 million over the same period in 2014. This significant decline is resulting from the one-off transactions reported in Q3 2014, when operating result was positively impacted by partial reversal of impairment charge of EUR 47.1 million recognised on Zlota project in 2013 and compensated by EUR 9.0 million of provision for corporate guarantee on Hungarian assets and termination expenses of EUR 12.3 million.
- Adjusted EBITDA amounts to EUR -2.1 million as at 30 September 2015 compared to EUR -3.1 million in September 2014. Improvement in development segment (EUR 7.1 million) is compensated by worsened EBITDA in Property Investments segment (EUR 6.1 million).
- Improved financial result amounts to EUR -13.3 million, compared to EUR -38.5 million over the same period in 2014 and reflects stabilization after reorganization of the Group in 2014.
- LTV ratio increased compared to December 2014 from 38.1 % to 41.9 % as at 30 September 2015. Total amount of financial liabilities including financial debts and New Notes is EUR 150.4 million as at the end of September 2015 in comparison to EUR 141.3 million at the end of 2014. Fair value of portfolio evaluated from EUR 355.1 million to EUR 365.6 million.

Unaudited income statement

	9 months 2015	9 months 2014
Revenue	9,907	84,686
<i>Sale of goods</i>	879	72,628
<i>Rent</i>	5,908	6,970
<i>Hotels and restaurants</i>	-	1,034
<i>Services</i>	3,120	4,055
Net gain from fair value adjustments on Investment Property	(14,406)	(273)
Other operating income	492	602
Net result on disposal of assets	(748)	7
Cost of goods sold	(1,015)	(71,220)
Employee benefits	(572)	(16,278)
Amortization, impairments and provisions	5,157	36,671
Other operating expenses	(10,885)	(13,198)
Operating result	(12,070)	20,997
Interest expense	(9,427)	(18,058)
Interest income	653	1,443
Foreign exchange result	1,629	607
Other net financial results	(6,149)	(22,442)
Financial result	(13,294)	(38,450)
Share of profit or loss of entities accounted for using the equity method	2,928	(361)
Loss before income taxes	(22,436)	(17,814)
Income taxes	1,260	818
Loss from continuing operations	(21,176)	(16,996)
Loss after tax from discontinued operations	-	(2,726)
Net loss for the period	(21,176)	(19,722)
Total loss attributable to:		
Non-controlling interests	(328)	(1,442)
Owners of the Company	(20,848)	(18,280)

1 Revenue by segment

Year on year, the revenue went down to EUR 9.9 million, compared to EUR 84.7 million in the same period of 2014. This decrease is primarily attributable to the development business line with project Zlota, which recorded EUR 63.3 million of revenue from sale of goods in 2014. Excluding the contribution of Zlota project, the revenue from development activities would decrease by EUR 8.1 million Y-o-Y.

	Development	Property Investments	Total
YTD Revenue			
As at September 2015	1,611	8,296	9,907
As at September 2014	73,054	11,632	84,686
Variation	(71,443)	(3,336)	(74,779)

1.1 Property Investments

The Property Investments' revenue decreased by 28.7% compared to 2014, reaching EUR 8.3 million as of September 2015.

Revenue from rental activities declined by EUR 2.5 million as a result of the disposal of assets Hlubočky and Dunaj, as well as deconsolidation of 3 Hungarian entities. Reduced revenue from hospitality activities (EUR 1.1 million) is reflecting disposal of Pachtův Palác.

1.2 Development

Decline of revenue from residential projects corresponds to lower stock where almost all the projects have been sold out. The main contributors to the revenue recognized in Q3 2015 are projects Benice I (EUR 0.4 million) and V Mezihorí (EUR 0.3 million) in Prague and Klonowa Aleja in Warsaw (EUR 0.2 million).

At present, the key project is Slunečný vršek with the last phase comprising of 233 units, which is divided into two sub-phases. Sale of the first sub-phase with 153 units was launched in Q4 2013 and has exceeded expectations with 148 units pre-sold as of September 2015. As scheduled, the first sub-phase was completed in 3Q 2015 with first deliveries still in 2015. The second sub-phase with 80 units was launched in Q4 2014, with construction started in Q1 2015 and planned to be completed not later than in 2016, and follows the success of the first sub-phase with 55 units pre-sold as of September 2015. Kosik is a joint venture project that is consolidated under the equity method.

Following the success of the residential project Benice 1B phase (32 row houses, semi-attached and detached houses located south-east of Prague), an additional phase Benice 1C with 9 houses was launched in Q3 2015, with construction started in Q3 2015 and planned to be completed in 2016.

New acquisitions made in 2014 provide the support for the future pipeline of the Group. These future projects, developable in the coming years, consist of freehold land with a potential for development of residential, office, hospitality and retail premises.

2 Operating expenses

Total operating expenses decreased by 61% to EUR 11.5 million over Q3 2015. This decrease is mainly due to reduction in headcount and one-off expenses related to termination indemnities, which occurred in 2014. The increase in other operating expenses is explained by the write-off of receivables towards disposed Hungarian entities in the amount of EUR 2.0 million.

	9 months 2015	9 months 2014
Leases and rents	(131)	(283)
Building maintenance and utilities supplies	(1,739)	(3,000)
Marketing and representation costs	(351)	(984)
Administration costs	(5,528)	(7,092)
Taxes other than income tax	(572)	(1,410)
Hospitality specific costs	-	(105)
Other operating expenses	(2,564)	(325)
Employee benefits	(572)	(16,278)
Total operating expenses	(11,457)	(29,477)

3 Adjusted EBITDA¹

Operating result is showing negative YoY variation, gain of EUR 21.0 million reported in Q3 2014 decreased to a loss of EUR 12.1 million over the same period in 2015. This decline is reflecting the impact of one-off transactions realized in 2014 - mainly disposal of Zlota 44 project realized in August 2014.

	Development	Property Investments	TOTAL
Operating Result - 9m 2015	(12,773)	703	(12,070)
Net gain or loss from fair value adjustments on investment property	11,488	2,917	14,405
Amortisation, impairments and provisions	(651)	(4,506)	(5,157)
Termination indemnities	-	-	-
Net result on disposal of assets	812	(64)	748
Adjusted EBITDA - 9m 2015	(1,125)	(949)	(2,075)
Adjusted EBITDA - 9m 2014	(8,267)	5,200	(3,066)
Variation YoY	7,143	(6,149)	994

The adjusted EBITDA shows slight improvement of EUR 1.0 million compared to Q3 2014. The improvement of EUR 7.1 million in development segment is attributable to the residential activities with Zlota 44 project not contributing to operating results of 2015 after its disposal in 2014.

Negative variation in Property Investments segment is in line with declined revenue from renting activities and no contribution of deconsolidated hospitality projects.

4 Financial Result

4.1 Interests

The interest expenses YoY further decreased by EUR 8.7 million from EUR 18.1 million to EUR 9.4 million. The bank interest for the 9 months of 2015 amounts to EUR 2.3 million for the Property investment activity and to EUR 0.6 million for the Development activity. As of September 2015, New Notes interests amount to EUR 6.5 million for the 9 months of 2015.

¹ The adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortization, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries.

4.2 Other net financial results

Other net financial results amounting to EUR -6.1 million consist mainly of: (i) loss on disposal of project Slezská, Ostrava EUR -1.0 million, (ii) revaluation of investment in Endurance Fund EUR -2.0 million, (iii) payment of Safeguard debts EUR -3.9 million.

5 Consolidated balance sheet

Compared to year-end 2014, the amount of total assets increased from EUR 374.1 million to EUR 376.1 million as at end of September 2015.

Assets	30 September 2015	31 December 2014
NON-CURRENT ASSETS	350,558	344,630
Investment property	239,833	249,236
Property, plant and equipment	861	1,030
Non-current financial assets	109,864	94,326
Other non-current assets	-	38
CURRENT ASSETS	25,490	29,484
Inventories	7,177	9,422
Trade receivables	3,106	2,362
Cash and cash equivalents	3,204	7,103
Other current assets	12,004	10,597
TOTAL	376,049	374,114
Equity and liabilities	30 September 2015	31 December 2014
EQUITY	201,673	206,016
Equity attributable to owners of the Company	201,487	205,510
Non controlling interests	186	506
LIABILITIES	174,376	168,099
Non-current liabilities	121,339	138,795
Bonds and financial debts	113,379	127,489
Other long term liabilities	7,960	11,306
Current liabilities	53,037	29,304
Current bonds and financial debts	36,972	13,836
Other current liabilities	16,065	15,468
TOTAL	376,049	374,114

Investment property decreased due to revaluation of the assets made at the end of June 2015. The Company recognized EUR 14.4 million of loss in fair value.

The line Non-current financial assets consists mainly of: (i) investment in CPI PG shares of EUR 97.7 million; (ii) RFE promissory note of EUR 2.9 million. The variation is caused by the positive impact of revaluation amounted EUR 13.4 million.

Current financial debts of the Company increased mainly as a result of extended loan provided by CPI PROPERTY GROUP (EUR 16.7 million) and the loans with maturities of up to one year.

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