



Luxembourg, 27 May 2016

Press Release

ORCO PROPERTY GROUP

Q1 2016 Financial Results

Key recent events

- Delisting from Euronext Paris: On 18 February 2016 the shares of ORCO PROPERTY GROUP (the "Company" and together with the subsidiaries as the "Group") have been delisted from the regulated market of Euronext Paris. This decision was based on in-depth review of Company's structure, operational and financial performance and costs related to the listing on Euronext Paris.

The Company shares will continue to be listed on the regulated market of the Luxembourg Stock Exchange under the same ISIN code LU0122624777.

- Disposal of Marki project: On 29 February 2016 the Group entered into an agreement concerning a disposal of project Marki in Poland. The transaction comprises of a transfer of 36 thousand sqm C class warehouse – logistic facility with the related land plots of app. 193 thousand sqm. The purchase price in an asset deal amount to EUR 4 million plus VAT. Following the repayment of the project credit facility to the financing bank the net proceeds amount to EUR 1.07 million.
- Disposal of Suncani Hvar shares: On 4 April 2016 the Company entered into an agreement concerning the disposal of its stakes in Suncani Hvar d.d. ("SHH"). The Company sold 3,062,196 SHH shares corresponding to 15.77% of the shareholding and voting rights in SHH. The aggregate price equals to app. EUR 8.15 million and is based on the nominal value of the transferred shares, i.e. HRK 20 per share. Further to this transaction, the Group exited all of its investments in Croatia.
- Decrease of the Company's capital: On 2 May 2016 extraordinary general meeting resolved to decrease the corporate capital of the Company from EUR 31,450,762.90 to EUR 3,145,076.29 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 0.10 to EUR 0.01.
- Increase of the Company's capital: On 10 May 2016, the Company's board of directors agreed to issue 1 billion new ordinary shares for a global cash contribution of EUR 80 million.
- Deleveraging through purchase of New Notes and loan repayment: In May 2016 the Company managed to purchase 5,630,662 pieces of the New Notes for an aggregate consideration of EUR 49.2 million. The Company also repaid the short term loan of EUR 32.1 million, resulting in an expected improvement of LTV from 40.9% as at 31 December 2015 to approximately 20%.
- Annual General Meeting of 26 May 2016: The annual general meeting of the Company's shareholders held on 26 May 2016 (the „Meeting“) approved the statutory annual accounts and consolidated annual accounts for the financial year ending 31 December 2015, as well as the allocation of financial results for the financial year ending 31 December 2015. The Meeting decided to appoint Mr. Jiří Dederá, Mr. Edward Hughes and Mr. Pavel Spanko to the Board of Directors of the Company until the annual general meeting of 2017 concerning the approval of the annual accounts of the Company for the financial year ending 31 December 2016. Mr. Jiří Dederá was also elected Managing Director (*administrateur délégué*) of the Company.

Q1 2016 Financial highlights

Over the three months of 2016 the Group recorded net loss attributable to owners of the Company in the amount of EUR 3.7 million compared to a loss of EUR 6.2 million in Q1 2015.

- Total revenue decreased by EUR 1.1 million year-on-year to EUR 2.8 million. Renting properties are contributing to the total rent revenue by EUR 1.5 million.
- Operating result as of March 2016 is represented by gain of EUR 0.8 million compared to a loss of EUR 1.7 million over the same period in 2015. The improvement of result is mainly due to the positive fair value adjustments on investment property.
- Adjusted EBITDA amounts to EUR 0.6 million as at 31 March 2016 compared to EUR 0.7 million in March 2015. The EBITDA is worsened in Property Investments segment by EUR 0.2 million.
- LTV ratio increased compared to December 2015 from 40.8 % to 41.1 % as at 31 March 2016. Total amount of financial liabilities including financial debts and New Notes is EUR 151.1 million as at the end of March 2016 in comparison to EUR 150.5 million at the end of 2015. Fair value of portfolio evaluated from EUR 369.3 million to EUR 367.7 million.

Unaudited income statement

	3 months 2016	3 months 2015
Revenue	2,811	3,917
<i>Sale of goods</i>	293	370
<i>Rent</i>	1,796	1,945
<i>Hotels and restaurants</i>	-	-
<i>Services</i>	722	1,601
Net gain from fair value adjustments on Investment Property	139	(2,536)
Other operating income	53	60
Net result on disposal of assets	(149)	18
Cost of goods sold	(280)	(302)
Employee benefits	(65)	(287)
Amortization, impairments and provisions	188	101
Other operating expenses	(1,928)	(2,655)
Operating result	768	(1,686)
Interest expense	(2,729)	(3,035)
Interest income	198	168
Foreign exchange result	(740)	2,223
Other net financial results	(1,271)	(3,380)
Financial result	(4,542)	(4,024)
Share of profit or loss of entities accounted for using the equity method	56	(326)
Loss before income taxes	(3,718)	(6,036)
Income taxes	1	(134)
Loss from continuing operations	(3,718)	(6,170)
Loss after tax from discontinued operations	-	-
Net loss for the period	(3,718)	(6,170)
Total loss attributable to:		
Non-controlling interests	-	(6)
Owners of the Company	(3,718)	(6,164)

1 Revenue by segment

Year on year, the first 3 months went down to EUR 2.8 million, compared to EUR 3.9 million in the same period of 2015. This decrease comes primarily from the property investments business line.

	Development	Property Investments	Total
YTD Revenue			
As at March 2016	573	2,238	2,811
As at March 2015	609	3,308	3,917
Variation	(36)	(1,070)	(1,106)

The revenue decreased by 28.2% compared to 2015, reaching EUR 2.8 million as of March 2016.

Main contributors to the revenue from rent are projects of renting segment – Na Poříčí, Hradčanská and Bubenská in the Czech Republic (EUR 1.3 million) and Capellen in Luxembourg (EUR 0.5 million).

Revenue from sale of goods recognized in Q1 2016 includes remaining units sold on project Benice I (EUR 0.3 million).

2 Operating expenses

Total operating expenses slightly decreased by 27% to EUR 1.9 million over Q1 2016. This decrease is mainly due to reduction of legal costs in Luxembourg (EUR 0.5 million) caused by end of Safeguard bonds and litigation of Suncani Hvar. Furthermore, employee benefits were reduced as a result of continuing reduction in headcount.

	3 months 2016	3 months 2015
Other Operating expenses	(1,928)	(2,655)
Leases and rents	(20)	(27)
Building maintenance and utilities supplies	(628)	(798)
Marketing and representation costs	(133)	(121)
Administration costs	(982)	(1,528)
Taxes other than income tax	(136)	(133)
Other operating expenses	(29)	(48)
Employee benefits	(65)	(287)
Total operating expenses	(1,993)	(2,942)

3 Adjusted EBITDA¹

Operating result is showing positive YoY variation, loss of EUR 1.7 million reported in Q1 2015 increased to a gain of EUR 0.8 million over the same period in 2016.

	Development	Property Investments	TOTAL
Operating Result - 3m 2016	(9)	778	768
Net gain or loss from fair value adjustments on investment property	(83)	(56)	(139)
Amortisation, impairments and provisions	(99)	(88)	(187)
Net result on disposal of assets	7	142	149
Adjusted EBITDA - 3m 2016	(184)	776	592

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.

Adjusted EBITDA - 3m 2015	(215)	946	731
Variation YoY	31	(170)	(139)

4 Financial Result

4.1 Interests

The interest expenses YoY further decreased by EUR 0.3 million from EUR 3.0 million to EUR 2.7 million. The bank interest for the 3 months of 2016 amounts to EUR 0.5 million for the Property investment activity and to EUR 0 million for the Development activity. The interest on third party loans for the 3 months of 2016 amounts to EUR 0.3 million. As of March 2016, New Notes interests amount to EUR 1.9 million for the 3 months of 2016.

4.2 Other net financial results

Other net financial results amounting to EUR -1.3 million consist mainly of creation of the equity loan impairments.

5 Consolidated balance sheet

Compared to year-end 2015, the amount of total assets decreased from EUR 378.6 million to EUR 376.5 million as at end of March 2016.

Assets		
	31 March 2015	31 December 2015
NON-CURRENT ASSETS	355,597	355,607
Investment property	241,825	241,825
Property, plant and equipment	333	353
Non-current financial assets	113,439	113,429
Other non-current assets	-	-
CURRENT ASSETS	20,920	22,955
Inventories	7,872	7,774
Trade receivables	3,717	3,409
Cash and cash equivalents	3,868	3,264
Other current assets	5,463	8,508
TOTAL	376,517	378,562
Equity and liabilities		
	31 March 2016	31 December 2015
EQUITY	202,322	204,589
Equity attributable to owners of the Company	202,024	204,402
Non-controlling interests	298	187
LIABILITIES	174,195	173,973
Non-current liabilities	88,680	88,113
Bonds and financial debts	81,550	81,108
Other long term liabilities	7,130	7,005
Current liabilities	85,515	85,860
Current bonds and financial debts	70,698	69,180
Other current liabilities	14,817	16,680
TOTAL	376,517	378,562

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