



Luxembourg, 30 November 2016

Press Release

ORCO PROPERTY GROUP

Q3 2016 Financial Results

Key recent events

Appointment of a valuation expert for the determination of the equitable price to be offered to the shareholders of OPG in the context of the mandatory takeover bid: On 8 June 2016 CPI PROPERTY GROUP through its wholly owned subsidiary Nukasso indirectly acquired 97.31% shares in ORCO Property Group ("OPG" or the "Company" and together with its subsidiaries as the "Group"). Nukasso has submitted a draft offer document for approval to the CSSF in its capacity as competent supervisory authority. On 22 September 2016, the CSSF appointed PricewaterhouseCoopers société cooperative (Luxembourg) as the independent expert for the determination of the equitable price to be offered to the shareholders of OPG in the context of the mandatory takeover bid over any and all of the ordinary shares of OPG. The valuation report will take 8 June 2016 as the valuation reporting date.

- Disposal of CPI PROPERTY GROUP shares: On 29 August 2016, the Company disposed of 65,957,446 pieces of ordinary shares of CPI PROPERTY GROUP for an aggregate consideration of EUR 34.59 million. The disposal of shares was based on the Agreement on Put Option over Shares entered into by the Company and Mr. Radovan Vitek on 24 September 2014. The disposal price per share equals to EUR 0.47, plus a 6.00% p.a. interest from 24 September 2014 until 29 August 2016. The shares were acquired by a holding entity of Mr. Vitek. The Company continues to hold app. 1.45% of CPI PROPERTY GROUP shares.
- Disposal of Vaci 188 and 190 projects: On 30 November 2016 the Company disposed of the Vaci 188 and 190 properties in Budapest, Hungary. The disposal, structured as a share deal transaction, was completed today and the counterparty is a consortium of Hungarian investors. The project company, which was sold owns two properties: Vaci 188 - the office building with 15,000m² gross area and 5,844m² plot size and Vaci 190 - the development plot with 4,583m² area.

Q3 2016 Financial highlights

Over the nine months of 2016 the Group recorded net profit attributable to owners of the Company in the amount of EUR 10.2 million compared to a loss of EUR 20.8 million in Q3 2015.

- Total revenue decreased year on year to EUR 8.6 million for the nine months of 2016 compared to EUR 9.9 million over the same period in 2015 (13.5% y-o-y). This decrease comes from the Property Investment business line.
- Operating result as of September 2016 is represented by a gain of EUR 13.0 million compared to a loss of EUR 12.1 million over the same period in 2015. The improvement of results is mainly due to the positive fair value adjustments on investment property.
- Financial result improved from a loss of EUR 13.3 million to a gain of EUR 6.6 million as at 30 September 2016.
- The adjusted EBITDA increased by EUR 2.6 million and amounts to EUR 0.5 million as at 30 September 2016 compared to EUR -2.1 million in September 2015. Following the improvement of operational results, Property Investments reports a positive variation of EUR 3.4 million, while the development segment reports worsened to an adjusted EBITDA (EUR 0.8 million).
- The LTV ratio as at 30 September 2016 is 8.5% and significantly decreased compared to 40.8% as at 31 December 2015. The main reason of this decrease was the repayment of the loan provided by CPI PG to the Group (EUR 32.1 million), the acquisition of New Notes (EUR 49.2 million) and received cash from Put Option (EUR 34.6 million). Total amount of financial liabilities including financial debts and New Notes is EUR 25.6 million as at the end of September 2016 in comparison to EUR 150.3 million at the end of 2015. The Fair value of portfolio is evaluated from EUR 369.3 million to EUR 300.2 million.

Unaudited income statement

	9 months 2016	9 months 2015
Revenue	8,570	9,907
<i>Sale of goods</i>	1,556	879
<i>Rent</i>	6,080	5,908
<i>Hotels and restaurants</i>	-	-
<i>Services</i>	934	3,120
Net gain from fair value adjustments on Investment Property	8,496	(14,406)
Other operating income	289	492
Net result on disposal of assets	238	(748)
Cost of goods sold	(2,754)	(1,015)
Employee benefits	(179)	(572)
Amortization, impairments and provisions	3,774	5,157
Other operating expenses	(5,426)	(10,885)
Operating result	13,008	(12,070)
Interest expense	(5,446)	(9,427)
Interest income	900	653
Foreign exchange result	(439)	1,629
Other net financial results	11,577	(6,149)
Financial result	6,592	(13,294)
Share of profit or loss of entities accounted for using the equity method	(7,057)	2,928
Profit before income taxes	12,544	(22,436)
Income taxes	(2,351)	1,260
Profit from continuing operations	10,193	(21,176)
Profit after tax from discontinued operations	-	-
Net profit for the period	10,193	(21,176)
Total profit attributable to:		
Non-controlling interests	6	(328)
Owners of the Company	10,188	(20,848)

1 Revenue by segment

The revenue decreased by 13.5% compared to 2015, reaching EUR 8.6 million as of September 2016.

Main contributors to the revenue from rent are projects of the renting segment – Na Poříčí, Hradčanská and Bubenská in the Czech Republic (EUR 3.5 million) and Capellen in Luxembourg (EUR 1.4 million).

Revenue from sale of goods recognized in Q3 2016 includes remaining units sold on project Benice I (EUR 0.3 million) and Benice 1c (EUR 1.2 million).

	Development	Property Investments	Total
YTD Revenue			
As at September 2016	2,411	6,159	8,570
As at September 2015	1,611	8,296	9,907
Variation	800	(2,137)	(1,337)

2 Operating expenses

Total operating expenses decreased by 51.1% to EUR 5.9 million over Q3 2016. This decrease is mainly due to the relevant write-off of receivables towards disposed Hungarian entities in 2015 (EUR 2.0 million) and reduction of legal costs in Luxembourg (EUR 1.0 million) compared to the same period in 2015. Furthermore employee benefits were reduced as a result of continuing reduction in headcount.

	9 months 2016	9 months 2015
Other Operating expenses	(5,426)	(10,885)
Leases and rents	(149)	(131)
Building maintenance and utilities supplies	(1,696)	(1,739)
Marketing and representation costs	(143)	(351)
Administration costs	(2,622)	(5,528)
Taxes other than income tax	(487)	(572)
Other operating expenses	(329)	(2,564)
Employee benefits	(179)	(572)
Total operating expenses	(5,605)	(11,457)

3 Adjusted EBITDA¹

Operating result is showing positive YoY variation, loss of EUR 12.1 million reported in Q3 2015 improved to a gain of EUR 13.0 million over the same period in 2016, positively affected by gain on fair value adjustment.

	Development	Property Investments	TOTAL
Operating Result - 9m 2016	8,034	4,974	13,008
Net gain or loss from fair value adjustments on investment property	(6,070)	(2,426)	(8,496)
Amortisation, impairments and provisions	(3,935)	161	(3,774)
Net result on disposal of assets	9	(247)	(238)
Adjusted EBITDA - 9m 2016	(1,962)	2,462	500
Adjusted EBITDA - 9m 2015	(1,125)	(949)	(2,075)
Variation YoY	(837)	3,411	2,575

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 Financial Result

4.1 Interests

The interest expenses YoY further decreased by EUR 3.9 million from EUR 9.4 million to EUR 5.5 million. The bank interest for the 9 months of 2016 amounting of EUR 1.5 million relates to the Property investment activity only. The interest on third party loans for the 9 months of 2016 amounts to EUR 0.7 million. As of September 2016, New Notes interests amount to EUR 3.3 million for the 9 months of 2016.

4.2 Other net financial results

Other net financial results amounting to EUR 11.6 million consist mainly of: (i) gain on disposal of SHH stake EUR 8.2 million, (ii) gain on disposal of Czech entities EUR 1.9 million, (iii) gain on New Notes purchase EUR 1.1 million.

5 Consolidated balance sheet

Compared to year-end 2015, the amount of total assets decreased from EUR 378.6 million to EUR 376.6 million as at end of September 2016.

Assets	30 September 2016	31 December 2015
NON-CURRENT ASSETS	281,898	355,607
Investment property	242,659	241,825
Property, plant and equipment	337	353
Non-current financial assets	38,902	113,429
Other non-current assets	-	-
CURRENT ASSETS	85,907	22,955
Inventories	9,805	7,774
Trade receivables	2,693	3,409
Derivative instruments	36,760	-
Cash and cash equivalents	34,710	3,264
Other current assets	10,729	8,508
TOTAL	376,595	378,562

Equity and liabilities	30 September 2016	31 December 2015
EQUITY	296,275	204,589
Equity attributable to owners of the Company	295,970	204,402
Non controlling interests	305	187
LIABILITIES	80,320	173,973
Non-current liabilities	35,484	88,113
Bonds and financial debts	10,371	81,108
Other long term liabilities	25,113	7,005
Current liabilities	44,836	85,860
Current bonds and financial debts	33,393	69,180
Other current liabilities	11,443	16,680
TOTAL	376,595	378,562

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