



*Press Release*

*Luxembourg, 31 August 2018*

## ORCO PROPERTY GROUP

### H1 2018 Financial Results

Key recent events

#### ANNUAL GENERAL MEETING OF SHAREHOLDERS

The annual general meeting of the shareholders of ORCO PROPERTY GROUP (the "**Company**") was held on 31 May 2018 in Luxembourg (the "**Annual Meeting**"), with approximately 97.45% of the voting rights present or represented.

The Annual Meeting approved the statutory annual accounts and consolidated annual accounts for the financial year ending 31 December 2017, as well as the allocation of financial results for the financial year ending 31 December 2017. The Annual Meeting further granted a discharge to the members of the Company's Board of Directors as well as to the auditors for the performance of their duties during the financial year ending 31 December 2017.

The Annual Meeting also resolved to re-appoint the following persons as members of the Company's Board of Directors until the annual general meeting of 2019: Jiri Dederá, Edward Hughes, and Erik Morgenstern. Jiri Dederá was also elected Managing Director (*administrateur délégué*) of the Company. The Annual Meeting finally resolved to appoint KPMG Luxembourg as an auditor (*réviseur d'entreprises agréé*) of the Company until the annual general meeting of 2019.

#### DISPOSAL OF NON-CONTROLLING INTEREST

On 26 June 2018, the Company transferred 80% stake in Bubny Development, s.r.o., a vehicle holding the Bubny land plots in Prague, to GSG Europa Beteiligungs GmbH ("**GSG Europa**").

The Company will continue to consolidate and manage Bubny Development, s.r.o. pursuant to shareholders agreement, entered into between the Company and GSG Europa.

Both the Company and GSG Europa belong under the consolidation of CPI PG. The disposal price in this intragroup transaction price was based on the IFRS NAV value.

#### RECONSTRUCTION OF OFFICE BUILDING BUBENSKÁ 1

The Bubenská 1 office building will undergo an extensive reconstruction, thanks to which the tenants will get a top-quality work environment while maintaining a unique architecture. The total investment exceeds CZK 1 billion (app. EUR 38.4 million).

The first and largest tenant of the administrative part of the building became the WPP group. The WPP group includes twelve world-renowned creative, media, digital, content and research agencies such as

Ogilvy, GroupM, Kantar, Wunderman, Young & Rubicam and many others. Individual WPP companies, formerly operating in various Prague buildings, will find their new home under one common roof.

The office building Bubenská 1 has 25,500 m<sup>2</sup> of lettable area. Twelve WPP agencies occupy a total of nearly two thirds of the area (16,316 m<sup>2</sup>). The long-term lease agreement is concluded from 2020 to 18 years.

#### ACQUISITION OF CPI BYTY BONDS

At the beginning of August 2018, the Company successfully acquired approximately CZK 2 billion (app. EUR 76.9 million) of bonds issued by CPI BYTY, a.s. The acquired bonds, issued under the bond programme of CPI BYTY, a.s., were due (or callable) in May 2019.

On 28 August 2018, following the bondholders meeting, CPI BYTY, a.s. announced, that all tranches of CPI BYTY bonds programme will be early repaid on 12 September 2018.

## Financial highlights

Performance		30-Jun-18	30-Jun-17	Change
Gross rental income	€ thousands	800	1,189	(32.7%)
Total revenues	€ thousands	9,822	1,332	637.4%
Operating result	€ thousands	2,409	78,213	(96.9%)
Net profit for the period	€ thousands	18,477	62,612	(70.5%)

Assets		30-Jun-18	31-Dec-17	Change
Total assets	€ thousands	2,638,975	1,980,303	33.3%
EPRA NAV	€ thousands	609,838	598,736	1.9%
Property Portfolio	€ thousands	459,000	457,000	0.4%
Gross leasable area	sqm	28,000	28,000	0%
Occupancy in %	%	48%	82%	(34.0 pp)
Land bank area	sqm	17,655,500	17,675,000	(-0.1%)
Total number of properties	No.	6	6	0%

Financing structure		30-Jun-18	31-Dec-17	Change
Total equity	€ thousands	748,217	628,371	19.1%
Equity ratio	%	28%	32%	(4.0 pp)
Net debt	€ thousands	(98,625)	(10,901)	804.7%
Project LTV	%	(21.5)%	(2.4)%	(19.1 pp)

## Income statement

Income statement for the six month period ended on 30 June 2018 is as follows:

TEUR	30-Jun-18	30-Jun-17
Gross rental income	800	1,189
Service revenues	9,136	--
Net service charge expense	(119)	(55)
Property operating expenses	(608)	(837)
<b>Net rental income</b>	<b>9,209</b>	<b>297</b>
Development sales	5	198
Cost of goods sold	(7)	(61)
<b>Net development income</b>	<b>(2)</b>	<b>137</b>
<b>Total revenues</b>	<b>9,822</b>	<b>1,332</b>
<b>Total direct business operating expenses</b>	<b>(615)</b>	<b>(898)</b>
<b>Net business income</b>	<b>9,207</b>	<b>434</b>
Net valuation gain on inv. property	--	74,499
Net gain or loss on disposal of inv. property	471	(21)
Net gain on disposal of subsidiaries	--	1,056
Gain related to changes in purchase price	2,532	--
Amortization, depreciation and impairments	(2,567)	3,098
Other operating income	23	163
Administrative expenses	(7,182)	(913)
Other operating expenses	(75)	(103)
<b>Operating result</b>	<b>2,409</b>	<b>78,213</b>
Interest income	49,275	19,212
Interest expense	(24,184)	(10,708)
Other net financial result	(4,794)	(8,410)
<b>Net finance income</b>	<b>20,297</b>	<b>94</b>
Share of profit of equity-accounted investees (net of tax)	(362)	(1,009)
<b>Profit / (Loss) before income tax</b>	<b>22,344</b>	<b>77,298</b>
Income tax expense	(3,867)	(14,686)
<b>Net Profit for the period</b>	<b>18,477</b>	<b>62,612</b>

### Service revenue

Service revenue increased to EUR 9.1 million in H1 2018 (H1 2017: EUR 0 million). The increase is due to providing of advisory services to entities controlled by the ultimate shareholder of the Group.

### Net valuation gain

The fair value of the property portfolio as of 30 June 2018 was determined based on the management's analysis and it does not differ from the fair value as of 31 December 2017.

### Administrative expenses

Administrative expenses increased by 686.6% to EUR 7.2 million in H1 2018 compared to EUR 0.9 million in H1 2017. During 2018 there was a significant increase in management fees relating to the related parties.

### **Net finance income**

Total net finance income has risen from EUR 0.1 million in H1 2017 to EUR 20.3 million in H1 2018. The interest income increased from EUR 19.2 million in H1 2017 to EUR 49.1 million in H1 2018. The increase in interest income reflects the providing of loans by the Company to the related parties. These loans bear interest rate between 6% - 14%.

### **Other net financial result**

The other net financial result has improved from a loss of EUR 8.4 million in H1 2017 to a loss of EUR 4.8 million in H1 2018. The main cause of this improvement is decrease of the exchange rate loss (EUR 4.7 million) resulting from the transactions between the Company and CPI PG Group (mainly CPI a.s., whose functional currency is Czech koruna).

## Balance sheet

TEUR	30-Jun-18	31-Dec-17
<b>NON-CURRENT ASSETS</b>		
Intangible assets	--	--
Investment property	452,085	450,373
Property, plant and equipment	370	35
Equity-accounted investees	4,209	4,571
Other investments	110,913	104,613
Loans provided	1,697,777	1,196,932
Trade and other receivables	12	12
Deferred tax assets	123,565	123,565
<b>Total non-current assets</b>	<b>2,388,931</b>	<b>1,880,101</b>
<b>CURRENT ASSETS</b>		
Inventories	6,224	6,348
Current income tax receivables	326	279
Trade receivables	11,355	4,540
Loans provided	100,745	68,490
Cash and cash equivalents	98,914	11,230
Other current assets	32,101	8,918
Assets held for sale	379	397
<b>Total current assets</b>	<b>250,044</b>	<b>100,202</b>
<b>TOTAL ASSETS</b>	<b>2,638,975</b>	<b>1,980,303</b>
<b>EQUITY</b>		
Equity attributable to owners of the Company	578,205	565,688
Non-controlling interests	170,012	62,683
<b>Total equity</b>	<b>748,217</b>	<b>628,371</b>
<b>NON-CURRENT LIABILITIES</b>		
Financial debts	1,392,977	1,113,884
Deferred tax liabilities	34,583	33,048
Provisions	1,557	1,559
Other non-current liabilities	1,874	1,991
<b>Total non-current liabilities</b>	<b>1,430,991</b>	<b>1,150,482</b>
<b>CURRENT LIABILITIES</b>		
Financial debts	393,902	54,581
Trade payables	8,965	2,723
Advance payments	251	84,505
Other current liabilities	56,649	59,641
<b>Total current liabilities</b>	<b>459,767</b>	<b>201,450</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,638,975</b>	<b>1,980,303</b>

**Total assets and total liabilities**

Total assets increased by EUR 658.7 million (33.3%) to EUR 2,639.0 million as at 30 June 2018. The main reason is the increase of long-term loans provided to CPI PG.

Non-current and current liabilities total EUR 1,890.8 million as at 30 June 2018 which represents an increase by EUR 538.8 million (39.9%) compared to 31 December 2017. Main driver of this increase was an additional drawdown of loan provided to the Group by CPI Property Group.

## EPRA Net assets value

The EPRA Net Asset Value per share as of 30 June 2018 and 31 December 2017 is EUR 0.46.

The Triple NAV amounts to EUR 0.44 per share compared to EUR 0.43 at the end of last year. The calculation is compliant with the EPRA (European Public Real Estate Associations) “Triple Net Asset Value per share”.

	June 2018	December 2017
<b>Consolidated equity</b>	<b>578,205</b>	<b>565,688</b>
Fair Value adjustment on asset held for sales	--	--
Fair value adjustments on inventories	--	--
Deferred taxes on revaluations	31,633	33,048
Goodwill	--	--
Own equity instruments	--	--
<b>EPRA Net asset value</b>	<b>609,838</b>	<b>598,736</b>
Existing shares (in thousands)	1,314,508	1,314,508
Net asset value in EUR per share	0.46	0.46
<b>EPRA Net asset value</b>	<b>609,838</b>	<b>598,736</b>
Deferred taxes on revaluations	(31,633)	(33,048)
Fair value adjustment of bonds issued by the Group	--	--
<b>EPRA Triple Net asset value (*)</b>	<b>578,205</b>	<b>565,688</b>
Fully diluted shares	1,314,508	1,314,508
Triple net asset value in EUR per share	0.44	0.43

Over the first half of 2018 the consolidated equity increased by EUR 12.5 million. The main driver of this increase is the profit of the period amounting to EUR 18.5 million, which is partially offset by foreign exchange loss of EUR 7.5 million.

*For disclosures regarding Alternative Performance Measures used in this press release please refer to our 2018 Interim Financial Information, chapter GLOSSARY & DEFINITIONS; accessible at <http://www.orcogroup.com/investors/financial-documentation/half-year-documents.php>.*

**For full Interim Management Report as of 30 June 2018, including Condensed Consolidated Interim Financial Statements as at 30 June 2018 please refer to our website at [www.orcogroup.com](http://www.orcogroup.com).**