

WARIMPEX

*Report on the
First Quarter
of 2017*

FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Shareholders,

I am pleased to report that we were able to carry the upward momentum and success from 2016 into the current financial year. We signed an agreement on the sale of part of our hotel portfolio to the Thai investor U City right at the beginning of the year. The transaction covers eight hotel holdings that account for around 50 per cent of the total real estate assets of Warimpex and represent a property value of roughly EUR 180 million. We expect the transaction to close in the near future. We will use the resulting positive profit contribution to improve our capital structure and for new development projects. It is expected to boost our equity ratio to around 25%.

This sale was not the only encouraging development in the first quarter. Revenues from hotel operations rose by 1 per cent to EUR 9.5 million despite the sale of the angelo hotel in Prague in October 2016 and the resulting reduction in the number of rooms. The NOP per available room improved by 31 per cent. Revenues from the letting of office properties also climbed from EUR 1.9 million to EUR 2.5 million due to index adjustments and a higher rouble exchange rate. Overall, consolidated revenues rose by 5 per cent to EUR 12.4 million.

EBITDA went from EUR 0.8 million to EUR 2.3 million as a result of a higher gross income from revenues (EUR 4.6 million, plus 16 per cent) and lower administrative and other costs, and EBIT improved from EUR -0.5 million to EUR 3.4 million. The financial result including joint ventures advanced from EUR 0.2 million to EUR 2.4 million due to positive exchange rate trends. In total, this resulted in a positive result for the first quarter of 2017 of EUR 4.7 million (2016: negative result of EUR 0.5 million).

The fully occupied multi-use building at AIRPORTCITY St. Petersburg with parking spaces for around 450 vehicles and around 6,000 square metres of office and archive space was completed and handed over to the tenant after the end of the reporting period, at the end of May.

In terms of development projects, advance leases were signed for around 8,500 square metres of the total 26,000 square metres in the Ogrodowa office building that is currently being built in Łódź. A letter of intent was signed for the letting of about 60 per cent of the roughly 12,000 square metres in the Mogilska office building in Krakow, and the terms of the lease are now being negotiated. Construction is expected to begin shortly. An office building with around 21,000 square metres of space is also to be built next to the Chopin Hotel in Krakow – planning for this is currently in progress. In Budapest, Warimpex owns a property on which a hotel with around 170 rooms and 60 adjacent apartments is to be built. The planning is under way, and the building permit was issued in January 2017.

Our objective for the 2017 financial year is to preserve the positive momentum from the first three months, on the one hand to move ahead with our current development projects and on the other to successfully conclude the sale of part of our hotel portfolio to U City. The sale will significantly expand our room for manoeuvre and will position us ideally for new projects, in CEE and Russia – including in collaboration with U City as a future partner that is entering the Continental European market for the first time. On this note, I look forward to an exciting and successful year in 2017.



Franz Jurkowitsch

Assets, Financial Position, and Earnings Situation

Due to seasonal effects, revenues are generally the lowest in the first quarter of the year, and are not representative of the development of revenues for the full year. In contrast, the second and third quarters generally show the best revenues.

Earnings situation

Development of revenues

Despite the sale of the angelo Prague (168 rooms) in October 2016, revenues in the Hotels segment rose by 1 per cent to EUR 9.5 million in the first quarter of 2017.

Revenues from the letting of office properties (Investment Properties revenues) climbed from EUR 1.9 million to EUR 2.5 million, largely due to index adjustments and a higher rouble exchange rate.

Total revenues advanced by 5 per cent to EUR 12.4 million.

Expenses directly attributable to revenues fell from EUR 7.9 million to EUR 7.8 million.

EBITDA – EBIT

Earnings before interest, taxes, depreciation, and amortisation, and gains/losses on the remeasurement of investment properties (EBITDA) rose from EUR 0.8 million to EUR 2.3 million. This was primarily driven by the higher gross income from revenues and the lower administrative and other expenses.

EBIT improved from EUR -0.5 million to EUR 3.4 million.

Financial result

Finance income (including earnings from joint ventures) went from EUR 0.2 million to EUR 2.4 million. The financial result includes changes in foreign exchange rates in the amount of EUR 4.4 million.

Financing expenses increased by 8 per cent and broke down as follows:

in EUR '000	1–3/2017	1–3/2016
Composition		
Interest on short-term borrowings, project loans, and other loans	(1,665)	(1,713)
Interest on bonds	(829)	(492)
Interest on convertible bonds	(132)	(148)
Interest on loans from minority shareholders	(499)	(797)
Other financing expenses	(180)	(75)
Unrealised losses on derivative financial instruments	(166)	(1)
Other	(32)	–
	(3,501)	(3,226)

Profit or loss for the period

The result for the period for the Warimpex Group improved from EUR -0.5 million in the previous year to EUR 4.7 million. This was the result of a higher operating result (EBITDA) and an improved financial result.

Financial position

On 23 February 2017, Warimpex concluded a framework agreement for the sale of hotel holdings. The assets and liabilities of the companies to be sold and the joint venture shares were classified as held for sale according to IFRS 5 (see section 5.1. in the notes to the consolidated financial statements as of 31 December 2016).

Changes in the most important assets and liabilities:

Property, plant, and equipment	Hotels	Reserve properties	Other property, plant, and equipment	Total
Changes in 2017:				
Carrying amounts at 1 January	24,209	6,000	1,108	31,316
Additions	6	1,099	43	1,149
Scheduled depreciation and amortisation	(211)	–	(14)	(225)
Reversals of impairment	206	–	–	206
Exchange adjustments	1,285	150	48	1,483
Carrying amounts as at 31 March	25,495	7,249	1,185	33,929

Investment Properties	Developed properties	Development properties	Reserve properties	Total
Changes in 2017:				
Carrying amounts at 1 January	68,576	32,027	11,137	111,739
Additions/investments	–	2,598	17	2,614
Net measurement result	–	–	(17)	(17)
Exchange adjustment	2,508	1,016	591	4,115
Carrying amounts as at 31 March	71,083	35,641	11,728	118,452

Financial liabilities	Project loans	Borrowing loans	Bonds, convertible bonds	Loans from minorities and others	Total
Changes in 2017:					
As at 1 January	57,785	8,169	51,442	52,637	170,032
Borrowing/accumulated interest	(1)	53	(30)	400	422
Repayment	(756)	–	–	(20)	(776)
Exchange rate and other changes	64	–	1,396	509	1,968
Carrying amounts as at 31 March	57,092	8,221	52,808	53,526	171,647
<i>thereof current (due < 1 year)</i>	<i>6,101</i>	<i>6,336</i>	<i>11,318</i>	<i>1,413</i>	<i>25,168</i>
<i>thereof non-current (due > 1 year)</i>	<i>50,991</i>	<i>1,885</i>	<i>41,490</i>	<i>52,113</i>	<i>146,479</i>

Segment analysis

The Warimpex Group has defined the business segments of: Hotels, Investment Properties, and Development and Services. The joint ventures that are recognised using the equity method in the consolidated financial statements are included in the segment report using the proportionate consolidation method. The Hotels segment is comparable with the hotels and/or hotel rooms held by the Group as

consolidated entities in the reporting period (with the joint ventures recognised on a proportionate basis). The Investment Properties segment contains the rental revenue from office properties. The Development and Services segment covers development services, activities of the Group parent, and profit contributions from the sale of properties.

Hotels segment*

in EUR '000	1–3/2017	1–3/2016
Revenues for the Group	15,940	15,308
Average number of hotel rooms for the Group	2,619	2,810
Occupancy	61%	55%
RevPar (in EUR)	44,9	38,4
GOP for the Group	4,761	4,173
NOP for the Group	3,388	2,782
NOP/available room in EUR	1,294	990

* Including all joint ventures on a proportionate basis

In the reporting period, the average number of rooms falling under Group ownership declined by 7 per cent due to the sale of the angelo hotel in Prague. However, revenues rose by 4 per cent.

Key figures that are typical for the sector are used to manage the hotels. These include GOP (gross operating profit, calculated according to the Uniform System of Accounts for the Lodging Industry) and NOP (net operating profit, which corresponds to the GOP less specific costs of ownership after GOP such as management fees, insurance, land tax, etc.).

Investment Properties segment*

in EUR '000	1–3/2017	1–3/2016
Revenues for the Group	3,574	2,088
Segment EBITDA	2,807	1,518

* Including all joint ventures on a proportionate basis

The revenues and EBITDA of the Investment Properties segment increased primarily due to index adjustments and a higher rouble exchange rate.

Development and Services segment*

in EUR '000	1–3/2017	1–3/2016
Revenues for the Group	994	732
Gains or losses from the disposal of properties	125	–
Segment EBITDA	-724	-1,528

* mit quotaler Einbeziehung aller Joint Ventures

The results in this segment depend heavily on the sale of real estate holdings (share deals) and properties (asset deals) and are subject to significant year-on-year fluctuation.

Outlook

Warimpex announced the sale of part of its hotel portfolio to the Thai investor U City Public Company Limited (U City) on 23 February 2017. The transaction covers eight hotel holdings (two of which are partially [50 per cent] owned by UBM Development AG), which account for around 50 per cent of the total real estate assets of Warimpex and represent a property value of roughly EUR 180 million (excluding the holdings of UBM in this portfolio). This amount also corresponds to the total financial consideration (excluding the purchase price for the UBM portion of the portfolio), which consists of the purchase price for the shares in the respective property companies and the assumption of shareholder loans and liabilities from the bank financing taken out by the property companies. The closing of the transaction is still subject to the standard prerequisites for real estate transactions of this type and a variety of necessary permits and approval from different business partners. Warimpex expects the deal to close in the near future.

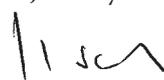
The fully occupied multi-use building at AIRPORTCITY St. Petersburg with parking spaces for around 450 vehicles and around 6,000 square metres of office and archive space was completed and handed over to the tenant after the end of the reporting period, at the end of May.

The following development projects are currently under construction or development:

- Ogradowa office building with roughly 26,000 square metres of space, Łódź (under construction)
- Mogilska office building with roughly 12,000 square metres of space, Krakow
- Chopin office building with roughly 21,000 square metres of space, Krakow
- Hotel with roughly 170 rooms and around 60 apartments, Budapest

Our objective for the coming months is to move ahead with our current development projects as well as to successfully conclude the sale of part of our hotel portfolio to U City. The sale will significantly expand our room for manoeuvre and will position us ideally for new projects, including in collaboration with U City as a future partner that is entering the CEE market for the first time. We still see our future in the development of hotels and office buildings in CEE, focusing on the established markets in Poland, the Czech Republic, Hungary, Romania, Russia, Germany, and France.

Vienna, 30 May 2017



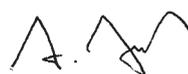
Franz Jurkowsch

Chairman
of the Management Board



Georg Folian

Vice-Chairman
of the Management Board



Alexander Jurkowsch

Member of the
Management Board



Florian Petrowsky

Member of the
Management Board

Condensed Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2017 – UNAUDITED

in EUR '000	1–3/2017	1–3/2016
Hotels revenues	9,451	9,353
Investment Properties revenues	2,520	1,902
Development and Services revenues	432	602
Revenues	12,403	11,857
Expenses from the operation of hotels	(6,989)	(7,197)
Expenses from the operation of investment properties	(484)	(374)
Expenses directly attributable to development and services	(314)	(314)
Expenses directly attributable to revenues	(7,787)	(7,885)
Gross income from revenues	4,616	3,973
Income from the sale of properties	125	–
Gains or losses from the disposal of properties	125	–
Other operating income	382	275
Administrative expenses	(1,863)	(2,145)
Other expenses	(991)	(1,270)
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	2,267	833
Scheduled depreciation and amortisation on property, plant, and equipment and intangible assets	(226)	(1,548)
Reversals of impairment	206	277
Gains/losses on remeasurement of assets held for sale	1,192	–
Gains/losses on remeasurement of investment property	(17)	(17)
Depreciation, amortisation, and remeasurement	1,154	(1,287)
Earnings before interest and taxes (EBIT)	3,421	(455)
Finance income	1,909	587
Finance expenses	(3,501)	(3,226)
Changes in foreign exchange rates	4,359	3,520
Earnings from joint ventures and associates (equity method) after taxes	(409)	(709)
Financial result	2,358	172
Earnings before taxes	5,779	(283)
Income taxes	(784)	1
Deferred income taxes	(259)	(181)
Taxes	(1,043)	(180)
Profit or loss for the period	4,736	(463)
thereof profit of non-controlling interests	2,403	582
thereof profit of shareholders of the parent	2,333	(1,045)
Earnings per share in EUR:		
Undiluted earnings per share in EUR	0.04	-0.02
Diluted earnings per share in EUR	0.04	-0.02

Condensed Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2017 – UNAUDITED

in EUR '000	1–3/2017	1–3/2016
Profit or loss for the period	4,736	(463)
Foreign exchange differences	552	(556)
Valuation of cash flow hedges	183	(639)
Other comprehensive income from joint ventures (equity method)	20	–
Gains/losses from available-for-sale financial assets	–	(575)
(Deferred) taxes in other comprehensive income	69	122
Other comprehensive income (reclassified in profit or loss in subsequent periods)	824	(1,649)
Total comprehensive income for the period	5,559	(2,112)
thereof profit of non-controlling interests	2,628	129
thereof profit of shareholders of the parent	2,931	(2,242)

Condensed Consolidated Statement of Financial Position

AS AT 31 MARCH 2017 – UNAUDITED

in EUR '000	31/3/2017	31/12/2016	31/3/2016
ASSETS			
Property, plant, and equipment	33,929	31,316	183,253
Investment property	118,452	111,739	87,949
Goodwill	–	–	921
Other intangible assets	17	18	33
Joint ventures and associates (equity method)	13,703	14,479	20,604
Financial assets, available for sale	–	583	2,420
Other financial assets	15,465	14,118	17,002
Deferred tax assets	2,033	1,931	125
Non-current assets	183,600	174,185	312,306
Inventories	253	312	578
Trade and other receivables	6,863	5,203	5,387
Financial assets, available for sale	6,233	6,233	6,621
Cash and cash equivalents	2,757	2,769	6,226
Non-current assets (disposal groups), held for sale	170,769	169,185	13,611
Current assets	186,875	183,701	32,423
TOTAL ASSETS	370,475	357,886	344,729
EQUITY AND LIABILITIES			
Share capital	54,000	54,000	54,000
Retained earnings	15,551	13,218	(5,249)
Treasury shares	(301)	(301)	(301)
Other reserves	3,870	3,271	3,074
<i>thereof cumulated other comprehensive income from disposal groups</i>	4,383	4,201	–
Equity attributable to shareholders of the parent	73,120	70,188	51,523
Non-controlling interests	(24,502)	(27,130)	(31,907)
Equity	48,617	43,058	19,616
Convertible bonds	4,280	3,971	8,310
Other bonds	37,210	42,988	43,476
Other financial liabilities	104,990	105,335	198,759
Derivative financial instruments	615	401	2,517
Other liabilities	7,515	7,220	6,614
Provisions	2,499	2,499	2,353
Deferred tax liabilities	3,258	3,295	9,928
Deferred income	3,809	3,662	6,945
Non-current liabilities	164,176	169,371	278,902
Convertible bonds	3,904	3,931	119
Bonds	7,414	552	3,835
Other financial liabilities	13,849	13,256	18,283
Trade and other payables	13,242	11,152	10,595
Provisions	256	252	999
Income tax liabilities	749	615	134
Deferred income	249	229	1,295
Liabilities directly related to with the assets held for sale (disposal groups) h	118,018	115,470	10,952
Current liabilities	157,681	145,457	46,212
Liabilities	321,857	314,828	325,113
TOTAL EQUITY AND LIABILITIES	370,475	357,886	344,729

Condensed Consolidated Statement of Cash Flows

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2017 – UNAUDITED

in EUR '000	1–3/2017	1–3/2016
Cash receipts		
from hotel operations and rent received	12,655	12,505
from real estate development projects and other	170	442
from interest income	203	262
Cash receipts from operating activities	13,028	13,209
Cash payments		
for real estate development projects	(558)	(187)
for materials and services received	(3,410)	(4,277)
for related personnel expenses	(3,828)	(3,882)
for other administrative expenses	(2,338)	(2,561)
for income taxes	(657)	1
Cash payments for operating activities	(10,791)	(10,906)
Net cash flows from operating activities	2,237	2,303
Cash receipts from		
the sale of disposal groups and property	–	115
disposal proceeds from purchase price receivables relating to disposals in prior periods	125	–
other financial assets	–	1,107
returns on joint ventures and associates	–	4,095
Cash receipts from investing activities	125	5,317
Cash payments for		
investments in property, plant, and equipment	(388)	(495)
investments in investment property	(2,309)	(788)
other financial assets	–	(14)
joint ventures and associates	(380)	–
Cash payments for investing activities	(3,076)	(1,296)
Net cash flows from investing activities	(2,952)	4,021
Cash receipts from the issue of bonds and convertible bonds	–	45
Cash payments for the redemption of bonds and convertible bonds	–	(3,559)
Payments received from loans and borrowing	3,101	4,100
Payments made for the repayment of loans and borrowing	(1,228)	(4,912)
Paid interest (for loans and borrowing)	(1,567)	(1,543)
Paid interest (for bonds and convertible bonds)	(567)	(880)
Paid financing costs	(37)	(216)
Net cash flows from/used in financing activities	(297)	(6,965)
Net change in cash and cash equivalents	(1,012)	(641)
Foreign exchange rate changes in cash and cash equivalents	6	(2)
Foreign exchange rate changes from other comprehensive income	117	197
Cash and cash equivalents as at 1 January	4,723	7,394
Cash and cash equivalents at 31 March	3,834	6,947
Cash and cash equivalents at the end of the period consist of:		
Cash and cash equivalents of the Group	2,757	6,226
Cash and cash equivalents of disposal groups	1,077	722
	3,834	6,947

Condensed Consolidated Statement of Changes in Equity

AS AT 31 MARCH 2016 – UNAUDITED

in EUR '000	Equity attributable to shareholders of the parent						Non-controlling interests	Total equity
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	TOTAL		
As at 1 January 2016	54,000	–	(4,204)	(301)	4,270	53,765	(32,037)	21,728
Total comprehensive income for the period	–	–	(1,045)	–	(1,196)	(2,242)	129	(2,112)
<i>thereof profit for the period</i>	–	–	(1,045)	–	–	(1,045)	582	(463)
<i>thereof other comprehensive income</i>	–	–	–	–	(1,196)	(1,196)	(453)	(1,649)
As at 31 March 2016	54,000	–	(5,249)	(301)	3,074	51,523	(31,907)	19,616
As at 1 January 2017	54,000	–	13,218	(301)	3,271	70,188	(27,130)	43,058
Total comprehensive income for the period	–	–	2,333	–	599	2,931	2,628	5,559
<i>thereof comprehensive income for the period</i>	–	–	2,333	–	–	2,333	2,403	4,736
<i>thereof other comprehensive income</i>	–	–	–	–	599	599	225	824
As at 31 March 2017	54,000	–	15,551	(301)	3,870	73,120	(24,502)	48,617

Financial Calendar

2017

4 June 2017

Verification deadline

14 June 2017

Annual General Meeting

30 August 2017

*Publication of the results
for the first half of 2017*

30 November 2017

*Publication of the results
for the first three quarters of 2017*

PUBLICATION DETAILS:

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Nonetheless, rounding, typographical, or printing errors cannot be ruled out.
The summation of rounded amounts and percentages may result in rounding differences.
Statements referring to people are intended to be gender-neutral.
This report was prepared in German, English, and Polish.
In cases of doubt, the German version is authoritative.

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