warimpex

Warimpex Q3 2015 results:
Challenges in Russia continue to drag on results

- **Hotels not dependent on Russian clientele deliver good performance with increases in occupancy and room rates (NOP per available room +14 per cent), 34 per cent revenue contraction at Russian hotels**
- **EBITDA increased by 19 per cent to EUR 16.3 million**
- **Sale of andel's Berlin results in positive earnings from joint ventures of EUR 11.6 million**
- **Additional successful transactions in Ekaterinburg in addition to Berlin**
- **Office spaces at AIRPORTCITY St. Petersburg and at Erzsébet Office in Budapest completed and handed over to the tenants**
- **Planning under way for office developments in Poland**
- **Loss for the period of EUR 31.6 million due to soft rouble and measurement losses in Russia**

Vienna/Warsaw, 30 November 2015 – Experts are predicting a slight recovery for the Russian economy next year. At the moment, however, the trend seen in the first half of the year is continuing for Warimpex Finanz- und Beteiligungs AG: The difficult conditions on the Russian market and the soft rouble continue to impact the company's earnings. While the performance of hotels that are not dependent on Russian clientele was good in all markets – occupancy and room rates were increased at the majority of the hotels and the NOP per available room rose by 14 per cent – the continuing weakness of the rouble caused revenues to decline at the hotels in St. Petersburg and Ekaterinburg. Revenues at the Russian hotels were roughly 34 per cent lower than in the previous year. At the same time, the Dvořák spa hotel in the Czech town of Karlovy Vary has not yet seen a recovery, either. While efforts are being made to attract more guests from other countries in addition to Russia, this reorientation has not yet had an impact on revenues. The Dvorak hotel consequently suffered a revenue contraction of around 36 per cent.

This development had the following impact on the results for the first three quarters of 2015: Total revenues from hotel operations fell by 12 per cent to EUR 41.6 million. Consolidated revenues retreated by 18 per cent from EUR 55.9 million to EUR 46.1 million. While EBITDA increased by 19 per cent from EUR 13.6 million to EUR 16.3 million, EBIT declined from EUR 4.5 million to EUR -13.0 million. This decline can be attributed primarily to a non-cash loss from depreciation, amortisation, and remeasurement. Finance income including earnings from joint ventures was negatively affected by non-cash foreign currency losses in connection with exchange rate changes and went from EUR -16.2 million to EUR -18.7 million. Earnings from joint ventures rose from EUR 1.1 million to EUR 11.6 million due to the sale of the andel's hotel in Berlin. All in all, this led to a loss for the period of EUR 31.6 million due to negative measurement and exchange rate effects, compared with a negative result of EUR 10.9 million in the comparison period.

Success in transactions, completions, and developments

Despite the consequences of the difficult conditions on the Russian market, Warimpex also has some successes to report with regard to both transactions and developments. At the end of September, the company sold its majority stake in the angelo and Liner hotels at Koltsovo International Airport in Ekaterinburg to a private investor. The withdrawal from Ekaterinburg should not be interpreted as a withdrawal from Russia – Russia will remain one of Warimpex's most important core markets, where the company is making good progress in the development of AIRPORTCITY St. Petersburg and still sees tremendous potential. The Zeppelin office building was just completed here at the end of June, and the tenants have already moved in. The renovated office tower at Erzsébet Office in Budapest was also handed over to the tenant recently. In Berlin, the sale of the andel's hotel closed at the beginning of September. The profit from this transaction was roughly EUR 10 million.

In terms of developments, planning is under way for two office development projects in the Polish city of Krakow: First, Warimpex is the owner of a development property next to the Chopin Hotel, which is to be the location of an office building with around 20,000 square metres of space. Second, an office building owned by Warimpex is to be demolished and replaced by a new office building, also with approximately 20,000 square metres of space. In Łódź, Warimpex purchased a property near the andel's hotel, where it plans to build a new office building with roughly 29,000 square metres of space.

Outlook

"Although Russia's economic recovery is still on shaky ground according to estimates by the International Monetary Fund and is primarily dependent on geopolitical factors, there is light at the end of the tunnel, as IMF experts forecast minimal growth of 0.5 per cent for 2016. This outlook makes us quite optimistic for the coming year, because an easing of the situation will lead to impairment reversals. We aim to advance our current development projects in line with the prevailing conditions and to continue taking advantage of the positive transaction climate for prudent property sales in the future. We are also working continuously to boost the earnings from our hotel assets and to strengthen our financial base," concluded Franz Jurkowitsch, CEO of Warimpex.

warimpex

The numbers for the first three quarters of 2015 at a glance (as at 30 September 2015)

EUR ’000	**1–9/2015**	**Change**	**1–9/2014**
Hotels revenues	41,627	-12%	47,446
Investment Properties revenues	2,863	-61%	7,381
Development & Services revenues	1,616	50%	1,078
Total revenues	*46,105*	-18%	*55,905*
Expenses directly attributable to the revenues	-28,145	-19%	-34,541
Gross income from revenues	*17,960*	-16%	*21,364*
Gains or losses from the disposal of properties	2,551	-	6
EBITDA	16,268	19%	13,636
EBIT	-13,019	-	4,524
Result from joint ventures	11,586	917%	1,139
Profit or loss for the period	-31,626	190%	-10,906
Net cash flow from operating activities	9,436	-33%	14,184
Segment information (including joint ventures on a proportionate basis):			
Total revenues	80,536	-11%	90,225
Hotels revenues	75,170	-7%	80,924
Hotels net operating profit (NOP)	23,522	-6%	25,119
NOP per available room	7,035	-3%	7,213
Investment Properties revenues	3,417	-57%	7,944
Investment Properties EBITDA	2,372	-48%	4,539
Development & Services revenues	1,949	44%	1,358
Gains or losses from the disposal of properties	12,825	-	6
Development & Services EBITDA	13,421	-	-3,262