Warimpex: Falling rouble dampens results for 2015

- **Currency and remeasurement losses in Russia lead to loss of EUR 42.3 million**
- **Operating performance of hotels not dependent on Russian clientele improves, NOP per available room up by 10 per cent**
- **EBITDA increases by 71 per cent to EUR 29.3 million due to sales and deconsolidation of properties**
- **Transactions in St. Petersburg, Ekaterinburg, and Berlin successfully completed – profit from sale of andel's Berlin pushes result from joint ventures up to EUR 9.6 million**
- **Development projects in Krakow, Łódź, and St. Petersburg**

Vienna/Warsaw, 28 April 2016 – The combination of a falling oil price and rouble, international sanctions, and structural deficiencies continues to put pressure on the Russian economy and in turn is posing challenges for Warimpex Finanz- und Beteiligungs AG. These factors significantly dampened the company's results for 2015. This can mainly be attributed to non-cash foreign currency losses on the Russian rouble, lower appraisal values for Russian properties, and revenue contractions in the hotels that primarily cater to Russian guests.

The development of the different markets diverged widely again in 2015. Poland and the Czech Republic, for example, are doing well. Accordingly, the performance of the hotels not catering primarily to Russian clientele improved in all markets, with occupancy and room rates rising at nearly all establishments. NOP (net operating profit) per available room rose by 10 per cent in these hotels. Things are different at the hotels that are directly impacted by the rouble crisis. The establishments in St. Petersburg and Ekaterinburg suffered revenue contractions, and hotel revenues were around 32 per cent lower than in the previous year. The Dvorak spa hotel in Karlovy Vary, Czech Republic, suffered a revenue slide of 35 per cent due to a lack of bookings, especially by Russian guests.

Despite the challenging situation, Warimpex will continue to operate in Russia. Aside from the fact that an easing of the situation will lead to impairment reversals, AIRPORTCITY St. Petersburg gives Warimpex a long-term asset with upside potential in a prime location.

Russia has significant impact on annual result

The revenue contractions at the hotels catering largely to Russian guests and a reduction of the number of rooms due to hotel sales were reflected in a 12 per cent decline in total hotel revenues, which dropped to EUR 54.5 million. Consolidated revenues fell by 16 per cent to EUR 61.9 million. EBITDA, one of the most important performance indicators for real estate companies because it is not distorted by industry-specific valuation methods, improved by 71 per cent from EUR 17.1 million in 2014 to EUR 29.3 million due to profits from the sale and deconsolidation of properties. However, write-downs and losses from remeasurement for Russian properties in the amount of EUR -39.2 million caused EBIT to decrease from EUR -5.2 million to EUR -9.9 million. The financial result including earnings from joint ventures fell from EUR -31.6 million to EUR -31.9 million due to non-cash foreign currency losses relating to changes in foreign exchange rates. This includes the earnings from joint ventures, which improved from EUR 1.5 million to EUR 9.6 million thanks to the profit on the sale of the andel's hotel Berlin. Overall, this resulted in a loss for the year of EUR 42.3 million. The loss for shareholders of the parent company improved in annual comparison, from EUR -20.7 million to EUR -17.8 million.

The negative result is primarily the result of non-cash value decreases on properties and the non-cash foreign currency losses. However, these developments are indicative of the current situation and could turn positive at any time once the Russian economy picks up again.

Successful transactions and completions as well as current development projects

Despite the headwinds from Russia, Warimpex completed development projects and successfully closed transactions in 2015. For example, Warimpex disposed of the two hotels at Koltsovo international airport in Ekaterinburg, the angelo and the Liner, and also sold the two Jupiter office towers at AIRPORTCITY St. Petersburg – despite the difficult market environment in Russia. In addition, the already fully let out Zeppelin office tower was completed in June as part of the second construction phase. Warimpex also brought a project in Budapest to a successful conclusion: The renovation of building A at Erzsébet Office has now been completed and the office spaces handed over to the tenant.

The four-star conference hotel andel's Berlin was also sold to Union Investment Real Estate GmbH, one of the leading real estate investment managers in Europe, in September. The profit from this transaction was roughly EUR 10 million.

In terms of development activities, Warimpex is currently focused strongly on Poland. Two office projects are now in planning in Krakow. The first is the construction of an office building with around 26,000 square metres of space on a plot next to the Chopin Hotel, and the second is an office building owned by Warimpex that is to be demolished and replaced by a new office building with approximately 20,000 square metres of space. In Łódź, Warimpex acquired a property near the andel's hotel and is also planning an office building here with about 26,000 square metres of space. At AIRPORTCITY St. Petersburg, construction is under way on a parking garage with roughly 20,000 square metres of space, all of which is let out.

Outlook

The predominant reason for the weakness of the Russian currency is certainly the low oil price. Once the oil price begins climbing again, this will bring growth in other areas of the economy after a delay of no more than one year. The resulting strengthening of the currency will not only boost the Russian economy, but also Warimpex's profits. The declared goal for 2016 is to move forward with the current development projects in Poland and Russia. Warimpex is also working on a number of further transactions. At the same time, the company is constantly working to improve its financing terms and to repay or refinance expensive lines of credit, and will continue to advance the diversification of its portfolio.

The numbers for 2015 at a glance (as of 31 December 2015):

in EUR ’000	**2015**	**Change**	**2014**
Hotels revenues	54,462	- 12 %	61,559
Investment Properties revenues	4,384	- 55 %	9,813
Development and Services revenues	3,053	23 %	2,476
Total revenues	*61,898*	*- 16 %*	*73,848*
Expenses directly attributable to revenues	- 38,539	- 15 %	- 45,559
Gross income from revenues	*23,359*	*- 17 %*	*28,289*
Gains or losses from the disposal of properties	14,220	-	- 30
EBITDA	29,280	71 %	17,114
Depreciation and impairment	-39,185	76 %	-22,274
EBIT	- 9,905	92 %	- 5,160
Earnings from joint ventures	9,647	530 %	1,531
Profit for the period (annual result)	- 42,330	20 %	- 35,306
Profit or loss for the period (shareholders of the parent)	- 17,838	- 14 %	- 20,654
Net cash flow from operating activities	12,853	- 37 %	20,542
Segment information (including joint ventures on a proportionate basis):			
Hotels revenues	96,573	- 9 %	106,316
Hotels net operating profit (NOP)	28,124	- 9 %	30,992
NOP per hotel room	8,752	- 2 %	8,954
Investment Properties revenues	5,121	- 52 %	10,560
Investment Properties EBITDA	3,170	- 47 %	5,994
Development and Services revenues	3,514	23 %	2,866
Gains or losses from the disposal of properties	24,270	-	367
Development and Services EBITDA	23,375	-	- 3,022
	31.12.2015	**Change**	**31.12.2014**
Gross asset value (GAV) in EUR millions	340.8	- 31 %	498.0
NNNAV per share in EUR	1.8	- 40 %	3.0