

Warimpex: Financial year 2019

- **Record profit of EUR 66.5 million bolsters Warimpex for the challenging times of the COVID-19 pandemic**
- **Portfolio weighting favours office assets with long-term leases (74 per cent) – increase in equity (44 per cent)**
- **Successful sales in France, the Czech Republic, and Hungary; purchases in Germany and Russia**
- **Current focus on developments in Poland, Russia, and Germany**

Warimpex Finanz- und Beteiligungs AG generated a consolidated profit of EUR 66.5 million for the 2019 financial year – a record level in the more than 60-year history of the Vienna-based real estate development and investment company. This record result can largely be attributed to the sale of properties – first and foremost two hotels in Paris – as well as accounting gains and the completion of office projects in Poland that delivered stable cash flows in 2019. This resulted in a decline in revenues from hotels (down 20 per cent), while revenues from offices saw a significant increase (up 28 per cent).

Warimpex is very satisfied with the previous financial year. The record result now has to be considered in the context of the COVID-19 pandemic: Warimpex's financial base was solidified through hotel sales at the right time, and development projects will be able to proceed according to plan this year. Warimpex has a very experienced and crisis-tested team that has already proven in the past – for example, during the global financial and economic crisis – that the company's business model is successful in even the most challenging times. Combined with the company's deep roots in its core markets and strong local networks and partners, Warimpex is therefore well equipped for the current and coming challenges.

The medium- to long-term strategic course that was set in the years following the global financial and economic crisis was resoundingly confirmed last year. Under this strategy, Warimpex aimed to build up its property portfolio after the successful sale of hotel assets at optimal times; to strengthen its earning potential, particularly in the office property segment; to diversify its market and product portfolio; and to improve its equity ratio, which was 44 per cent as at the reporting date. The share of the hotel segment, which is being hit particularly hard by the corona crisis, is now 14 per cent, while that of offices is 74 per cent.

Focus on transactions, re-entry into the German market

The 2019 financial year was marked by the completion of office developments and successful transactions. Four real estate projects were successfully sold in 2019: first and foremost the Vienna House Dream Castle and Vienna House Magic Circus hotels in Paris along with the operating company for the Dvořák spa hotel in the Czech town of Karlovy Vary and an office property in Budapest.

By contrast, Mogilska 43 Office in Krakow was completed in May 2019 and added to the property portfolio, as was a hotel including a property reserve that was acquired in the German city of Darmstadt. Warimpex has been active on the German market again since the property reopened in September 2019. The hotel is currently being converted to the new Accor eco-lifestyle brand “greet” and will be repositioned on the market. Modern coworking offices will be added to the hotel’s offerings in order to provide flexible office space with short contract periods in the future. The three-hectare hotel site also has property reserves for the development of additional premium office and commercial space.

In addition, the company expanded its activities in the Russian city of St. Petersburg: Following the acquisition of a 35 per cent stake in the project company AO AVIELEN A.G., the operating company for AIRPORTCITY St. Petersburg, Warimpex now holds 90 per cent of the shares and started construction on another office tower (Avior Tower 1) with roughly 16,000 square metres of space in the third quarter of 2019.

Company performance in 2019

The sale of the hotels in France and the Czech Republic led to a decline in revenues in this segment to EUR 10 million, which represents a drop of 20 per cent versus the prior year. By contrast, revenues from the rental of office properties increased by 28 per cent year-on-year, improving to EUR 19.9 million. This can be attributed primarily to the purchase of the B52 office building in Budapest and the completion and opening of Ogradowa Office in Łódź in 2018 as well as the completion and opening of Mogilska 43 Office in Krakow in May 2019. Total revenues rose to EUR 31.6 million, and expenses directly attributable to revenues advanced by 16 per cent to EUR 14.2 million. This results in gross income from revenues of EUR 17.5 million (up 3 per cent). A disposal result of EUR 28.9 million was generated due to successful transactions.

EBITDA improved from EUR 4.3 million to EUR 29.9 million during the reporting period, primarily due to successful property sales. Depreciation, amortisation, and remeasurement fell from EUR 15.5 million in the prior year to EUR 14.9 million. EBIT increased from EUR 19.8 million to EUR 44.7 million as a result of gains on the sale of properties. The financial result (including earnings from joint ventures) rose from minus EUR 14.9 million to EUR 25.8 million. This includes an accounting gain of EUR 20.3 million on the purchase of loans of former minority shareholders of a Russian Group company as well as exchange rate gains in the amount of EUR 8.3 million (2018: exchange rate losses of EUR 11.5 million). The profit for the period increased from EUR 1.9 million in 2018 to EUR 66.5 million.

Outlook

Current development projects are progressing according to plan. We have a number of exciting activities on the agenda, including projects in the Polish cities of Krakow and Białystok, the continuing development of AIRPORTCITY St. Petersburg, the refurbishment of the hotel in Darmstadt, and the creation of new offerings such as coworking spaces. The latter combines the best of two worlds with which Warimpex is very familiar: the short-term requirements of the hotel market and the longer-term orientation of the office market.

The concrete medium-term effects of the current health crisis are very difficult to predict in general. Therefore, the Management Board and Supervisory Board have decided to propose to the Annual General Meeting that the net profit be carried forward to new account for the time being, to postpone the Annual General Meeting, and to evaluate the situation on an ongoing basis until the Annual General Meeting and revise the proposal for the appropriation of profits as necessary. However, Warimpex is on solid financial footing, even against the backdrop of the current COVID-19 pandemic, and therefore expects the positive and stable development of its business model to continue.

Key financial figures for financial year 2019 at a glance (as at 31 December 2019):

in EUR '000	2019	Change	2018
Hotels revenues	9,987	-20%	12,420
Investment Properties revenues	19,861	28%	15,482
Development and Services revenues	1,794	42%	1,265
<i>Total revenues</i>	<i>31,641</i>	<i>8%</i>	<i>29,168</i>
Expenses directly attributable to revenues	-14,169	16%	-12,226
<i>Gross income from revenues</i>	<i>17,473</i>	<i>3%</i>	<i>16,942</i>
Gains or losses from the disposal of properties	28,934	-	-
EBITDA	29,858	588%	4,337
Depreciation, amortisation, and remeasurement	14,868	-4%	15,489
EBIT	44,726	126%	19,826
Earnings from joint ventures	3,585	412%	699
Financial result	25,756	-	-14,857
Profit or loss for the period (annual result)	66,505	-	1,927
Profit or loss for the period (shareholders of the parent)	61,472	944%	5,890
Net cash flow from operating activities	-41	-	3,289
Segment information (including joint ventures on a proportionate basis):			
Hotels revenues	37,545	-16%	44,628
Net operating profit (NOP)	9,114	-15%	10,676
NOP per available room in EUR	13,395	28%	10,431
Investment Properties revenues	24,015	24%	19,403
Investment Properties EBITDA	16,170	4%	15,513
Development and Services revenues	2,241	19%	1,883
Gains or losses from the disposal of properties	28,934	-	-
Development and Services EBITDA	16,355	-	-10,168

	31/12/2019	Change	31/12/2018
Gross asset value (GAV) in EUR millions	333.3	23%	269.9
NNNAV per share in EUR	3.41	33%	2.56