

WARIMPEX

*Report on the
First Quarter
of 2018*



WARIMPEX GROUP

Key Figures

in EUR '000	1-3/2018	Change	1-3/2017
Hotels revenues	2,381	-75%	9,451
Investment Properties revenues	3,803	51%	2,520
Development and Services revenues	506	17%	432
<i>Total revenues</i>	<i>6,690</i>	<i>-46%</i>	<i>12,403</i>
Expenses directly attributable to revenues	-3,236	-58%	-7,787
<i>Gross income from revenues</i>	<i>3,453</i>	<i>-25%</i>	<i>4,616</i>
Gains or losses from the disposal of properties	-	-	125
EBITDA	1,302	-43%	2,267
Depreciation, amortisation, and remeasurement	-129	-	1,154
EBIT	1,173	-66%	3,421
Earnings from joint ventures	-770	88%	-409
Profit or loss for the period	-2,975	-	4,736
Net cash flow from operating activities	184	-92%	2,237
Equity and liabilities	260,874	-30%	370,475
Equity	80,066	65%	48,617
Share capital	54,000	-	54,000
Equity ratio	31%	18 pp	13%
Average number of shares in the financial year	54,000,000	-	54,000,000
Earnings per share in EUR	-0.04	-	0.04
Number of hotels	6	-8	14
Number of rooms (adjusted for proportionate share of ownership)	892	-1,612	2,504
Number of office and commercial properties	6	2	4
Lettable office space (adjusted for proportionate share of ownership)	40,100 m ²	43%	28,000 m ²
Segment information (including joint ventures on a proportionate basis):			
Hotels revenues	8,585	-46%	15,940
Hotels net operating profit (NOP)	1,108	-67%	3,388
NOP per available room	1,083	-16%	1,294
Investment Properties revenues	4,840	35%	3,574
Investment Properties EBITDA	3,813	36%	2,807
Development and Services revenues	657	-34%	994
Gains or losses from the disposal of properties	-	-	125
Development and Services EBITDA	-1,619	-	-724
	31/12/2017¹	Change	31/12/2016¹
Gross asset value (GAV) in EUR millions	202.5	-41%	343.3
Triple net asset value (NNNAV) in EUR millions	129.0	23%	104.7
NNNAV per share in EUR	2.4	26%	1.9
End-of-period share price in EUR	1.43	86%	0.77

¹ As no external valuation of the portfolio was completed as at 31 March 2018 or 31 March 2017, the latest available values are shown.

FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Shareholders,

Following the sale of eight hotel holdings last year, we are now shifting our focus back to growing and building up our property portfolio. We are pursuing these goals in line with our strategic orientation by completing our ongoing development projects and launching new projects as well as by purchasing cash flow generating assets that offer potential for the future. By completing selective property sales at favourable terms, we can secure proceeds that will enable us to rapidly execute reinvestments.

The last two points in particular are illustrated by our activities in Budapest, where we concluded an agreement to purchase the B52 Office property after the reporting date. This class A office building offers over 5,200 square metres of space and is fully occupied, which will provide us with ongoing income once the transaction closes – presumably before the end of the second quarter. We also see additional potential here, as the local office market is currently in a phase of rising rents. In a separate transaction, we disposed of a development property that is also located in Budapest in May 2018, which brought in proceeds of EUR 5.4 million.

Key financial figures for the first quarter of 2018 at a glance

The impact of the elimination of the eight hotel holdings on our operating business was fully evident for the first time in the first quarter of 2018. Revenues in the Hotels segment fell from EUR 9.5 million to EUR 2.4 million as a result of the sale. The revenues of the hotel holdings that were sold were still included in the revenues reported in the first quarter of 2017. Revenues from the rental of office properties rose from EUR 2.5 million to EUR 3.8 million, largely due to the completion of the fully occupied Bykovskaya multi-use building at AIRPORTCITY St. Petersburg. Overall, consolidated revenues contracted from EUR 12.4 million to EUR 6.7 million.

The reduced portfolio volume also resulted in a decline in EBITDA from EUR 2.3 million to EUR 1.3 million. EBIT went from EUR 3.4 million to EUR 1.2 million, and the financial result dropped from EUR 2.4 million to minus EUR 4.1 million due to exchange rate losses. This led to a result of minus EUR 3.0 million for the traditionally weak first quarter (2017: EUR 4.7 million).

Developments in Łódź, Krakow, and Białystok

In terms of development projects, construction is progressing according to plan for the Ogrodowa office building in Łódź and the Mogilska office building in Krakow. Leases have already been signed for a portion of the space at both office buildings. The Ogrodowa office building will start generating cash flows upon its completion at the end of the second quarter. Also in Krakow, we are planning the construction of an office building with around 20,000 square metres of space on a development property next to the Chopin Hotel. In Białystok, we own a building plot that was expanded through the purchase of adjacent lots last year. Four office properties will be built on this site in multiple phases.

Outlook

We expect a significant reduction of interest costs in the current financial year due to the early redemption of bonds and the elimination of project loans. Along with our project pipeline and the favourable environment for real estate investments, this makes us highly optimistic for the rest of the year.


Franz Jurkowitsch

Assets, Financial Position, and Earnings Situation

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 sale closed on 31 May 2017. The transaction covered eight hotel holdings, 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).

The agreement on the final settlement of the purchase price was signed on 27 April 2018. This did not result in any changes to the figures reported as at 31 December 2017.

Earnings situation

Development of revenues

Revenues in the Hotels segment declined by 75 per cent to EUR 2.4 million in the first quarter of 2018 due to the sale of a portion of the hotel portfolio in May 2017.

Revenues from the rental of office properties (Investment Properties revenues) climbed from EUR 2.5 million to EUR 3.8 million, largely due to the completion of the fully occupied Bykovskaya multi-use building at the end of May 2017.

Total revenues contracted by 46 per cent to EUR 6.7 million.

Expenses directly attributable to revenues fell from EUR 7.8 million to EUR 3.2 million.

EBITDA – EBIT

Earnings before interest, taxes, depreciation and amortisation, and gains/losses on the remeasurement of investment properties (EBITDA) decreased from EUR 2.3 million to EUR 1.3 million, primarily due to the reduction of the property portfolio.

EBIT fell from EUR 3.4 million to EUR 1.2 million.

Financial result

Finance income (including earnings from joint ventures) went from EUR 2.4 million to minus EUR 4.1 million. The financial result includes changes in foreign exchange rates in the amount of EUR 2.1 million (2017: EUR 4.4 million).

Finance expenses were reduced by 43 per cent compared with the prior-year period and broke down as follows:

in EUR '000	1–3/2018	1–3/2017
Composition		
Interest on short-term borrowings, project loans, and other loans	(967)	(1,665)
Interest on bonds	(41)	(829)
Interest on convertible bonds	(194)	(132)
Interest on loans from minority shareholders	(504)	(499)
Other financing expenses	(286)	(180)
Unrealised losses on derivative financial instruments	–	(166)
Other	–	(32)
	(1,992)	(3,501)

Profit or loss for the period

The result for the period for the Warimpex Group dropped from EUR 4.7 million in the previous year to minus EUR 3.0 million. This decline can be attributed to both a low operating result (EBITDA) due to the reduction of the property portfolio and a negative financial result due to exchange rate losses (2017: exchange rate gains).

Financial position

Changes in the most important assets and liabilities:

Property, plant, and equipment	Hotels	Reserve properties	Other property, plant, and equipment	Total
Changes in 2018:				
Carrying amounts at 1 January	24,396	3,857	1,308	29,561
Additions	37	18	206	260
Scheduled depreciation and amortisation	(207)	–	(20)	(227)
Impairment reversals	171	–	–	171
Exchange adjustments	(586)	(35)	(1)	(622)
Carrying amounts as at 31 March	23,811	3,840	1,492	29,144

Investment properties	Developed properties	Development properties	Reserve properties	Total
Changes in 2018:				
Carrying amounts at 1 January	103,613	44,018	7,133	154,763
Additions/investments	4	11,054	–	11,058
Net measurement result	(4)	–	–	(4)
Exchange adjustments	(1,753)	(60)	(171)	(1,984)
Carrying amounts as at 31 March	101,860	55,012	6,961	163,833

Financial liabilities	Project loans	Working capital loans	Bonds, convertible bonds	Loans from minorities and others	Total
Changes in 2018:					
As at 1 January	72,898	501	11,503	54,945	139,847
Borrowing/accumulated interest	3,634	2,100	54	(1,697)	4,092
Repayment	(4,493)	–	(2,371)	(150)	(7,014)
Exchange rate and other changes	(249)	–	(22)	–	(272)
As at 31 March	71,790	2,601	9,163	53,099	136,653
<i>thereof current (due < 1 year)</i>	6,642	2,601	3,760	1,251	14,254
<i>thereof non-current (due > 1 year)</i>	65,148	–	5,403	51,848	122,399

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.

Outlook

Hotels segment*

in EUR '000	1–3/2018	1–3/2017
Revenues for the Group	8,585	15,940
Average number of hotel rooms for the Group	1,024	2,619
Occupancy	68%	61%
RevPar in EUR	59,2	44,9
GOP for the Group	1,856	4,761
NOP for the Group	1,108	3,388
NOP/available room in EUR	1,083	1,294

* Including all joint ventures on a proportionate basis

In the reporting period, the average number of rooms falling under Group ownership declined due to the sale of eight hotel holdings in May 2017.

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	1–3/2018	1–3/2017
Revenues for the Group	4,840	3,574
Segment EBITDA	3,813	2,807
Remeasurement result	-4	-

* Including all joint ventures on a proportionate basis

The revenues and EBITDA of the Investment Properties segment increased primarily due to the completion of the fully occupied Bykovskaya multi-use building at the end of May 2017.

Development and Services segment*

in EUR '000	1–3/2018	1–3/2017
Revenues for the Group	657	994
Gains or losses from the disposal of properties	-	125
Segment EBITDA	-1,619	-724
Remeasurement result	-	-17

* Including all joint ventures on a proportionate basis

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.

The agreement on the final settlement of the purchase price from the sale of hotel holdings was signed on 27 April 2018. This did not result in any changes to the figures reported as at 31 December 2017.

The agreement on the sale of a property in Budapest was signed in March 2018. The contract closed in May 2018. The transaction is expected to result in a cash flow of EUR 5,400 thousand but not to generate a profit due to the impairment reversal that was already recognised in 2017.

The convertible bond 11/18 with a nominal value of PLN 19.5 million that was due to mature in November 2018 was redeemed early in full in March and April.

The Group concluded an agreement for the purchase of a fully occupied office building in Budapest in mid-April 2018. The purchase price is roughly EUR 7,800 thousand. The contract is scheduled to close before the end of the second quarter of 2018.

The following development projects are currently under construction or development:

- Ogrodowa office building with roughly 27,400 square metres of space, Łódź (under construction)
- Mogilska office building with roughly 12,000 square metres of space, Krakow (under construction)
- Chopin office building with roughly 21,000 square metres of space, Krakow

Our objective for the coming months is to move ahead with our current development projects. We expect a significant reduction of interest costs in 2018 and subsequent years due to the early redemption of bonds and the elimination of project loans.

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 2018



Franz Jurkowitsch
Chairman
of the Management Board



Daniel Folian
Vice-Chairman
of the Management Board



Alexander Jurkowitsch
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 2018 – UNAUDITED

in EUR '000	1–3/2018	1–3/2017
Hotels revenues	2,381	9,451
Investment Properties revenues	3,803	2,520
Development and Services revenues	506	432
Revenues	6,690	12,403
Expenses from the operation of hotels	(2,058)	(6,989)
Expenses from the operation of investment properties	(774)	(484)
Expenses directly attributable to development and services	(404)	(314)
Expenses directly attributable to revenues	(3,236)	(7,787)
Gross income from revenues	3,453	4,616
Income from the sale of properties	–	125
Gains or losses from the disposal of properties	–	125
Other operating income	–	382
Administrative expenses	(1,786)	(1,863)
Other expenses	(365)	(991)
Earnings before interest, taxes, depreciation, amortisation, and remeasurement (EBITDA)	1,302	2,267
Scheduled depreciation and amortisation on property, plant, and equipment and intangible assets	(228)	(226)
Reversals of impairment on property, plant, and equipment	171	206
Gains/losses on remeasurement of assets/disposal groups held for sale	(69)	1,192
Gains/losses on remeasurement of investment property	(4)	(17)
Depreciation, amortisation, and remeasurement	(129)	1,154
Earnings before interest and taxes (EBIT)	1,173	3,421
Finance income	735	1,909
Finance expenses	(1,992)	(3,501)
Changes in foreign exchange rates	(2,096)	4,359
Earnings from joint ventures and associates (equity method) after taxes	(770)	(409)
Financial result	(4,122)	2,358
Earnings before taxes	(2,949)	5,779
Income taxes	39	(784)
Deferred income taxes	(64)	(259)
Taxes	(26)	(1,043)
Profit or loss for the period	(2,975)	4,736
thereof profit or loss of non-controlling interests	(957)	2,403
thereof profit or loss of shareholders of the parent	(2,017)	2,333
Earnings per share in EUR:		
Undiluted earnings per share in EUR	-0.04	0.04
Diluted earnings per share in EUR	-0.04	0.04

Condensed Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018 – UNAUDITED

in EUR '000	1–3/2018	1–3/2017
Profit or loss for the period	(2,975)	4,736
Foreign exchange differences	(464)	552
<i>thereof reclassified to the income statement</i>	9	–
Valuation of cash flow hedges	–	183
Other comprehensive income from joint ventures (equity method)	–	20
(Deferred) taxes in other comprehensive income	12	69
Other comprehensive income (reclassified to profit or loss in subsequent periods)	(451)	824
Gains/losses on remeasurement of financial assets	11	–
Other comprehensive income (not reclassified to profit or loss in subsequent periods)	11	–
Other comprehensive income	(440)	824
Total comprehensive income for the period	(3,415)	5,559
thereof profit or loss of non-controlling interests	(997)	2,628
thereof profit or loss of shareholders of the parent	(2,418)	2,931

Condensed Consolidated Statement of Financial Position

AS AT 31 MARCH 2018 – UNAUDITED

in EUR '000	31/3/2018	1/1/18	31/12/2017	31/3/2017
ASSETS				
Property, plant, and equipment	29,144	29,561	29,561	33,929
Investment property	163,833	154,763	154,763	118,452
Other intangible assets	9	10	10	17
Joint ventures and associates (equity method)	16,741	17,224	17,224	13,703
Financial assets, available for sale	–	–	6,146	–
Financial assets, measured at fair value through other comprehensive income	6,157	6,146	–	–
Other financial assets	12,905	13,646	13,646	15,465
Deferred tax assets	1,871	1,922	1,922	2,033
Non-current assets	230,659	223,272	223,272	183,600
Inventories	211	271	271	253
Contract assets	5,646	5,646	–	–
Trade and other receivables	5,335	7,816	13,463	6,863
Financial assets, available for sale	–	–	–	6,233
Cash and cash equivalents	13,623	22,849	22,849	2,757
Non-current assets (disposal groups), held for sale	5,400	5,400	5,400	170,769
Current assets	30,215	41,982	41,982	186,875
TOTAL ASSETS	260,874	265,254	265,254	370,475
EQUITY AND LIABILITIES				
Share capital	54,000	54,000	54,000	54,000
Retained earnings	57,429	59,435	59,194	15,551
Treasury shares	(301)	(301)	(301)	(301)
Other reserves	(2,619)	(2,208)	(1,967)	3,870
<i>thereof cumulated other comprehensive income from disposal groups</i>	–	–	–	4,383
Equity attributable to shareholders of the parent	108,509	110,926	110,926	73,120
Non-controlling interests	(28,443)	(27,445)	(27,445)	(24,502)
Equity	80,066	83,481	83,481	48,617
Convertible bonds	–	–	–	4,280
Other bonds	5,403	5,357	5,357	37,210
Other financial liabilities	116,996	121,560	121,560	104,990
Derivative financial instruments	410	929	929	615
Other liabilities	14,200	14,931	14,931	7,515
Provisions	2,357	2,357	2,357	2,499
Deferred tax liabilities	5,573	5,572	5,572	3,258
Deferred income	3,096	3,215	3,215	3,809
Non-current liabilities	148,034	153,922	153,922	164,176
Convertible bonds	2,144	4,543	4,543	3,904
Bonds	1,617	1,603	1,603	7,414
Other financial liabilities	10,493	6,784	6,784	13,849
Trade and other payables	16,384	12,475	12,475	13,242
Provisions	1,829	1,884	1,884	256
Income tax liabilities	115	365	365	749
Deferred income	192	197	197	249
Liabilities directly associated with the assets held for sale (disposal groups)	–	–	–	118,018
Current liabilities	32,774	27,851	27,851	157,681
Liabilities	180,809	181,773	181,773	321,857
TOTAL EQUITY AND LIABILITIES	260,874	265,254	265,254	370,475

Condensed Consolidated Statement of Cash Flows

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2018 – UNAUDITED

in EUR '000	1–3/2018	1–3/2017
Cash receipts		
from hotel operations and rent received	6,724	12,655
from real estate development projects and other	59	170
from interest income	57	203
Cash receipts from operating activities	6,839	13,028
Cash payments		
for real estate development projects	(57)	(558)
for materials and services received	(1,873)	(3,410)
for related personnel expenses	(2,374)	(3,828)
for other administrative expenses	(2,139)	(2,338)
for income taxes	(212)	(657)
Cash payments for operating activities	(6,655)	(10,791)
Net cash flows from operating activities	184	2,237
Cash receipts from		
disposal proceeds from purchase price receivables relating to disposals in prior periods	1	125
other financial assets	729	–
Cash receipts from investing activities	730	125
Cash payments for		
investments in property, plant, and equipment	(222)	(388)
investments in investment property	(4,175)	(2,309)
joint ventures	(720)	(380)
Cash payments for investing activities	(5,117)	(3,076)
Net cash flows from investing activities	(4,387)	(2,952)
Cash payments for the redemption of bonds and convertible bonds	(2,371)	–
Payments received from loans and borrowing	5,741	3,101
Payments made for the repayment of loans and borrowing	(4,643)	(1,228)
Paid interest (for loans and borrowing)	(3,174)	(1,567)
Paid interest (for bonds and convertible bonds)	(181)	(567)
Paid financing costs	(218)	(37)
Net cash flows from/used in financing activities	(4,846)	(297)
Net change in cash and cash equivalents	(9,049)	(1,012)
Foreign exchange rate changes in cash and cash equivalents	(1)	6
Foreign exchange rate changes from other comprehensive income	(176)	117
Cash and cash equivalents at 1 January	22,849	4,723
Cash and cash equivalents at 31 March	13,623	3,834
Cash and cash equivalents at the end of the period consist of:		
Cash and cash equivalents of the Group	13,623	2,757
Cash and cash equivalents of disposal groups	–	1,077
	13,623	3,834

Condensed Consolidated Statement of Changes in Equity

AS AT 31 MARCH 2018 – UNAUDITED

in EUR '000	Equity attributable to shareholders of the parent					Non-controlling interests	Total equity
	Share capital	Retained earnings	Treasury shares	Other reserves	TOTAL		
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 profit 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
As at 1 January 2018	54,000	59,435	(301)	(2,208)	110,926	(27,445)	83,481
Total comprehensive income for the period	–	(2,006)	–	(411)	(2,418)	(997)	(3,415)
<i>thereof profit for the period</i>	–	(2,017)	–	–	(2,017)	(957)	(2,975)
<i>thereof other comprehensive income</i>	–	11	–	(411)	(400)	(40)	(440)
As at 31 March 2018	54,000	57,429	(301)	(2,619)	108,509	(28,443)	80,066

Financial Calendar

2018

30 May 2018

*Publication of the results
for the first quarter of 2018*

4 June 2018

Verification deadline

14 June 2018

Annual General Meeting

20 June 2018

Ex-dividend date

21 June 2018

Dividend record date

22 June 2018

Dividend payment date

30 August 2018

*Publication of the results
for the first half of 2018*

30 November 2018

*Publication of the results
for the first three quarters of 2018*

PUBLICATION DETAILS:

Warimpex Finanz- und Beteiligungs AG
Floridsdorfer Hauptstraße 1, A-1210 Vienna
www.warimpex.com

Investor Relations: **Daniel Folián** Tel. +43 1 310 55 00-156, investor.relations@warimpex.com

Photos: Warimpex

We have compiled this report and checked the data with the greatest possible care.
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.

warimpex