warimpex

PRESS RELEASE

Warimpex's results for the first three quarters of 2018:
Weak rouble dampens solid operational performance

- **Exchange rate losses and lower hotel revenues following partial portfolio sale in prior-year period lead to loss of EUR 6.5 million for the period**
- **Increase in revenues from the rental of office properties to EUR 11.3 million due to completion in St. Petersburg in prior year and acquisitions in Krakow and Budapest**
- **Ogrodowa office building in Łódź opened in October 2018, Mogilska office building in Krakow to be completed in Q1 2019**

Vienna/Warsaw, 30 November 2018 – For Warimpex Finanz- und Beteiligungs AG, the third quarter of the current financial year was characterised by a solid operational performance and a further reduction of finance expenses. However, this positive development was dampened by currency effects in Russia.

During the first nine months of the financial year, revenues in the Hotels segment declined from EUR 24.6 million to EUR 9.7 million due to the lower number of rooms resulting from the sale of part of the portfolio in the spring of 2017. By contrast, revenues from the rental of office properties rose from EUR 9.6 million to EUR 11.3 million, largely due to the completion of the fully occupied Bykovskaya multi-use building at AIRPORTCITY St. Petersburg at the end of May 2017 and the acquisition of two fully occupied office buildings – Mogilska 41 in Krakow and B52 in Budapest. Overall, consolidated revenues declined from EUR 35.5 million to EUR 21.6 million. Due to the lower earnings contribution from hotel revenues and the lack of gains from the disposal of properties in the current financial year, EBITDA also fell from EUR 31.8 million to EUR 4.4 million. EBIT dropped from EUR 45.5 million to EUR 4.2 million. While the financial result including joint ventures improved from minus EUR 11.5 million to minus EUR 10.6 million, it was negatively impacted by non-cash exchange rate losses in the amount of EUR 8.6 million. Finance expenses saw a significant reduction, going from EUR 9.3 million to EUR 5.4 million. All in all, this led to a loss for the period of EUR 6.5 million in the first three quarters of 2018 (1–9 2017: profit of EUR 34.2 million).

"Because the revenues of our properties at AIRPORTCITY St. Petersburg are based on the rouble, we feel the impact of currency fluctuations very clearly here – and this can have positive or negative effects. At the moment, it's difficult to make a projection for the rouble," said Franz Jurkowitsch, CEO of Warimpex.

Strengthening the financial base and building up the property portfolio

After buying back all of the convertible bonds and redeeming the majority of the outstanding bonds, Warimpex took advantage of the prevailing low interest rate levels to optimise its financing structure at the holding level and successfully placed a seven-year bond in September. According to Jurkowitsch, *"As a result of this step, we are in an optimal financial position to act rapidly and flexibly when interesting investment opportunities arise. This will also help us to complete our ongoing development projects, quickly get new projects up and running, and acquire cash flow-generating assets with potential for the future. Our goal is to rapidly build up our property portfolio again following the partial portfolio sale and to strengthen our earning potential."*

Completions, planned development projects, and acquisitions support growth target

After the end of the reporting period, Warimpex took important steps towards rapidly building up the property portfolio again with two office projects in Poland: At the beginning of October, the Ogrodowa office building in Łódź was opened. The state-of-the-art office building offers 28,000 square metres of space and is located directly in the city centre near the Manufaktura shopping centre. The first tenants have already moved in. Negotiations are currently under way with prospective tenants for the remaining space, so occupancy is expected to be about 60 per cent by the end of the year. Lease agreements have also been concluded for 60 per cent of the office space at the Mogilska 43 office building in Krakow. The building shell for the office property with 12,000 square metres of space was finished at the beginning of November, and the building is scheduled to be completed by the end of the first quarter of 2019.

Development projects that are currently still in the planning phase but will quickly be made ready for the start of construction include the Chopin office building in Krakow with 21,000 square metres of space as well as four office properties with up to 73,000 square metres of net floor space in Białystok. In addition, Warimpex has promising property reserves at AIRPORTCITY St. Petersburg and has started the planning activities for Avior Tower 1.

Another focus for the company is on cash flow-generating acquisitions. In this context, the fully occupied Mogilska 41 office building in Krakow was purchased in December 2017. In May 2018, this was followed by the B52 office building in Budapest, which is also fully let out. Their earnings contributions can already be seen in the revenues from the rental of office properties.

Outlook

"Along with the ongoing activities in our core CEE markets of Poland and Hungary, we are also evaluating options in Western Europe and definitely see potential for acquisitions here – in one case, negotiations are already at an advanced stage. We consider 2018 to be a transition year following the sale of part of our portfolio last year, and expect a significant increase in revenues and an improvement in gross income for 2019 following the opening of the Ogrodowa office building in Łódź this year," said Jurkowitsch in closing.

Key financial figures for the first three quarters of 2018 at a glance:

EUR ’000	**1–9/2018**	**Change**	**1–9/2017**
Hotels revenues	9,681	-61%	24,551
Investment Properties revenues	11,290	17%	9,610
Development and Services revenues	657	-50%	1,310
Total revenues	*21,629*	-39%	*35,470*
Expenses directly attributable to revenues	-9,210	-50%	-18,417
Gross income from revenues	*12,418*	-27%	*17,053*
Gains or losses from the disposal of properties	-	-	23,648
EBITDA	4,353	-86%	31,774
Depreciation, amortisation, and remeasurement	-197	-	13,773
EBIT	4,157	-91%	45,547
Earnings from joint ventures	862	-33%	1,280
Profit or loss for the period	-6,464	-	34,152
Net cash flow from operating activities	1,205	-84%	7,485
Segment information (including joint ventures on a proportionate basis):			
Hotels revenues	33,640	-30%	47,869
Hotels net operating profit (NOP)	8,912	-38%	14,467
NOP per available room in EUR	8,707	18%	7,352
Investment Properties revenues	14,240	12%	12,675
Investment Properties EBITDA	11,306	11%	10,188
Development and Services revenues	1,115	-49%	2,207
Gains or losses from the disposal of properties	-	-	23,648
Development and Services EBITDA	-6,527	-	18,516
	30/6/2018	**Change**	**31/12/2017**
Gross asset value (GAV) in EUR millions	226.3	12%	202.5
NNNAV per share in EUR	2.35	-2%	2.39

Warimpex Finanz- und Beteiligungs AG at a glance

Warimpex Finanz- und Beteiligungs AG is a real estate development and investment company. The firm is headquartered in Vienna and is listed on the stock exchanges in Vienna and Warsaw. Its core focus is the construction and operation of hotels and offices in Central and Eastern Europe. Due to this combination of real estate development and asset management, Warimpex sees itself as a “hybrid” real estate company that operates properties itself until the time at which the highest added value can be realised through sale. The company has developed properties worth over one billion euros over the past 30 years and is currently active in CEE, Russia, Austria, and France. Warimpex believes in quality and sustainability as the basis for strong future growth.

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