AD HOC

Warimpex: Annual results for 2014 impacted by Russia crisis

- **Provisional annual results confirmed: Measurement and foreign currency losses in Russia are main reasons for loss for the period of EUR 35.3 million**
- **Positive operating performance in countries not impacted by the Russia crisis, NOP per hotel room in these markets up by a total of 12 per cent, cash flow from operating activities up 11 per cent at EUR 20.5 million**
- **Sale of two office towers at AIRPORTCITY St. Petersburg completed in first quarter of 2015**
- **Outlook for 2015: New developments in Berlin, Krakow, Budapest and St. Petersburg, several sales in the pipeline**

Vienna/Warsaw, 29 April 2015 – The provisional annual results of Warimpex Finanz- und Beteiligungs AG published at the start of April with a loss for the period of EUR 35,3 million have now been confirmed by the audited annual figures. While the company's non-Russian business developed positively in 2014, as evidenced in particular by the 12 per cent increase in net operating profit (NOP) per available room in these markets (increase by 2 per cent over the entire hotel portfolio), the results for hotels whose guests come primarily from Russia and Ukraine were impacted by the effects of the Russia crisis and rouble depreciation.

The depreciation of the rouble (exchange rate on 31 December 2014 around 68 roubles to the euro, by the end of April 2015 around 56 roubles to the euro) particularly affected the Russian hotels in Ekaterinburg and St. Petersburg, where occupancy remained constant but the lower room rates due to the decrease in the rouble exchange rate resulted in a 10 per cent decline in revenues as compared to 2013. At the same time, the crisis also impacted hotels outside Russia whose regular customers include mainly Russian and Ukrainian guests – especially the Dvorak hotel in Karlovy Vary, Czech Republic, which suffered a decline in revenues of as much as 20 per cent. As regards measurement, write-downs on office properties in particular had a negative impact on the results in Russia. Finally, the negative trend in the rouble also put pressure on the financial result.

These foreign exchange losses do not affect cash and thus represent snapshots. A recovery in the currency – as can currently be observed – will therefore also bring about an improvement in results. At the same time, the successful closing of the sale of parts of AIRPORTCITY St. Petersburg after the reporting date shows that successful transactions are possible in Russia even in these difficult times.

Impact of Russia crisis clearly reflected in results for the year

Due to the declines in revenues caused by rouble exchange rate effects, as well as to hotel sales in Prague and an accompanying reduction in the number of rooms, hotel revenues fell by a total of 11 per cent year on year – 5 per cent when joint ventures are included on a proportionate basis – to EUR 61.6 million. Consolidated revenues decreased by 18 per cent to EUR 73.8 million.

While operating cash flow from our assets was up 11 per cent at EUR 20.5 million, EBITDA declined by 9 per cent to EUR 17.1 million. This is attributable primarily to the loss of profits from the sale of properties - the Hotel Savoy in Prague was sold in June 2014 for roughly its carrying amount. The ultimately successful sale of two office towers at AIRPORTCITY St. Petersburg was not closed until March 2015 and therefore is not included in the statement of financial position. Due in particular to impairment losses and a loss on remeasurement of office properties, which have been recognised at market value since 2013, EBIT decreased from EUR 35.6 million in 2013 to EUR -5.2 million. The impairment relates primarily to Russian properties. Despite a cent decline, earnings from joint ventures are positive at EUR 1.5 million. The financial result was driven down by currency losses to a level of EUR -31.6 million, ultimately resulting in a loss for the year of EUR -35.3 million.

Positive developments in transactions and development business

Warimpex successfully completed the strategic exit from the luxury hotel industry in Prague in the 2014 financial year. Following the sales of the Palace Hotel and Le Palais Hotel in 2013, the last of its five-star hotels in Prague, the Hotel Savoy, was sold in June 2014. However, Warimpex is staying true to the market with its two strong four-star hotels, angelo and Diplomat.

There was progress in development business, too, in 2014: Warimpex concluded one of the largest rental agreements on the Hungarian office market in recent years with the long-term lease for 85 per cent (approximately 12,250 square metres) of the Erzsébet office building in Budapest. The office complex is currently being revitalised and is expected to be completed and handed over to the tenant in mid-2015. In Russia, construction work for the already leased “Zeppelin” office tower (15,800 square metres) and a car park (around 20,000 square metres) at AIRPORTCITY St. Petersburg is expected to be completed this year. An office building on a building site adjacent to the Chopin Hotel in Krakow is also under development, as is commercial and conference space near the andel’s hotel in Berlin.

The objectives for the current financial year are to press ahead with the ongoing development projects in Berlin, Krakow, Budapest and St. Petersburg and also to conclude one or two sales. In April Warimpex already signed a Memorandum of Understanding for a sale to an international investor. At the same time, Warimpex is constantly working to strengthen its financial basis, improve its financing conditions and further optimise operating cash flows from its assets.

Financial key figures for 2014 at a glance (as of 31 December 2014):

in EUR ’000	**2014**	**Change**	**2013 adjusted**
Hotels revenues	61,559	-11 %	69,435
Investment Properties revenues	9,813	-9 %	10,731
Development & Services revenues	2,476	-75 %	10,019
Total revenues	*73,848*	*-18 %*	*90,185*
Expenses directly attributable to revenues	-45,559	-25 %	-60,382
Gross income from revenues	*28,289*	-5 %	*29,803*
Gains on property disposals	-30	-	2,030
EBITDA	17,114	-9 %	18,835
EBIT	-5,160	-	35,647
Earnings from joint ventures	1,531	-31 %	2,213
Profit or loss for the period (for the year)	-35,306	-	7,116
Cash flow from operating activities	20,542	11 %	18,448
Segment information (including joint ventures on a proportionate basis):			
Hotels revenues	106,316	-5 %	112,289
Net operating profit (NOP) – Hotels	30,992	-1 %	31,262
NOP per hotel room	8,954	2 %	8,796
Investment Properties revenues	10,560	-9 %	11,555
EBITDA of Investment Properties	5,994	43 %	4,197
Revenues – Development & Services	2,866	-72 %	10,223
Gains or losses from the disposal of properties	367	-91 %	4,240
EBITDA of Development & Services	-3,022	-	1,811
	31 December 2014	**Change**	**31 December 2013 adjusted**
Gross asset value (GAV) in EUR million	498.0	-2 %	508.0
NNNAV per share in EUR	3.0	-	3.1