warimpex

Financial year 2008: Warimpex boosts sales – difficult conditions dampen profit

- **Revenues up by 16 per cent to EUR 94.4 million**
- **Higher interest rates, non-scheduled write-downs and value adjustments cause loss for the year**
- **Hotel portfolio expanded by three hotels and 382 rooms for a total of eighteen hotels with 2,699 rooms**
- **Development potential still strong in the hotel sector in secondary cities in CEE, SEE and Russia**

Key figures in EUR millions	**2008**	**2007**	**Change**
Total revenues	94.4	81.2	+16%
Gains from the sale of project companies	13.9	31.5	-56%
EBITDA	29.4	57.0	-48%
EBIT	-3.4	47.2	-
Profit for the year	-29.4	33.7	-
Earnings/loss per share in EUR	-0.81	0.95	-
Number of hotels	18	15	+3
Number of rooms (adjusted for proportionate share of ownership)	2.699	2.317	+382
Number of office and commercial properties	6	7	-1
Number of hotel development projects	7	12	-5
	31.12.2008	**31.12.2007**	
Gross asset value (GAV)	666.7	614.8	+8%
Triple net asset value (NNNAV)	301.9	387.4	-22%
NNNAV per share in EUR	8.4	10.8	-22%

Vienna, 27 April 2009 – Even under the turbulent conditions in 2008, Warimpex Finanz- und Beteiligungs AG was able to boost its revenue by 16 per cent to EUR 94.4 million in year-on-year comparison. Despite this growth, the profit for the year fell considerably compared to 2007. The construction of the four hotel projects that are currently under development (the andel's in Berlin opened in March 2009) is proceeding according to schedule.

Revenues from the operation of hotels increased by 21 per cent from EUR 71.6 million to EUR 86.7 million in 2008 due to the higher average weighted number of hotel rooms. The hotel portfolio grew by three hotels to a total of eighteen, and the average number of available rooms increased by 34 per cent.

EBITDA from the operation of hotels remained essentially unchanged from 2007. The primary reasons for the narrower margin were the lower occupancy rates, especially in Prague, and changed exchange rates. In 2008, the Polish zloty appreciated by over 20 per cent against the euro, for example. All hotel operating costs are incurred in the local currency, while the room prices are usually set in euro. The Development & Asset Management segment, which is responsible for property development and sale, is subject to greater variations because its results are dependent on the sale of properties. In spite of the generally difficult conditions for real estate transactions in the reporting period, we were able to sell three properties at very good terms: a 10 per cent share in the Airport City development project in St. Petersburg, Villa Margareta in Karlovy Vary, and the Pauler office building in Budapest. All in all, sales proceeds were lower than in 2007, and the segment's EBITDA fell significantly. Consolidated EBITDA fell by 48 per cent from EUR 57.0 million to EUR 29.4 million.

The values of properties fell considerably because of significantly higher yields and lower estimated free cash flows from hotel operations. As a result, non-scheduled write-downs were made on properties in the fourth quarter of 2008. Impairments on goodwill in the amount of EUR 19.8 million were recognized because an external opinion showed a lower recoverable amount than the carrying value on the reporting date. Taking into account the scheduled write-downs of EUR 13 million, EBIT came in at -EUR 3.4 million. The financial result amounted to -EUR 26 million, bringing the overall result for the year to -EUR 29.4 million.

Real estate assets

Warimpex Group's real estate portfolio comprised twenty-four properties at the end of December 2008, of which eighteen were hotels with over 3,800 rooms in total (2,699 when adjusted for the proportionate share of ownership) and six office buildings with a total of 32,000 square metres of utilisable area. The Group also holds a large number of properties and development projects in eight countries in Central and especially Eastern Europe, with a focus on Hungary, Germany, the Czech Republic, Poland and Russia.

The NNNAV shows the net value of the Group. CB Richard Ellis' semi-annual valuation as of 31 December 2008 showed a 22 per cent decrease in the NNNAV per share in year-on-year comparison because of significantly higher yields and lower estimated free cash flows from hotel operations. This value is a snapshot, however, and at EUR 8.4 per share is roughly 85 per cent higher than the current share price.

Outlook

The opening of the angelo in Plzen and the expansion of the angelo in Bucharest at the end of the third quarter of 2008, the opening of the andel's in Berlin in the first quarter of 2009 and the upcoming opening of the andel's in Lodz and the angelo in Ekaterinburg is expected to boost the operating cash flow in Warimpex's Hotels & Resorts segment. The number of rooms held by the Group (when adjusted for the proportionate share of ownership) is expected to increase by 683 to roughly 3,400 in 2009 as a result of the opening of new hotels.

Warimpex still sees great potential in the hotel sector above all in the secondary cities in CEE, SEE and Russia, both for the tourism and business travel segments, and expects that occupancy rates will be constant. The successful joint ventures with Vienna International are also being continued.

"More restrictive criteria in the award of financing in the sector will cause delays in hotel projects that are not fully financed in 2009, and will considerably slow the growth of the number of beds in CEE. However, demand for high-quality hotels is as high as ever. This creates very positive conditions for our existing hotels and the hotels that we currently have under construction. The hotel industry is also generally early cyclical. While office properties are let out over the long term, and react more slowly to economic downturns and upswings, hotel rooms are let out anew every day. This means that hotels are hit more quickly during a downturn, but that they can also react immediately when the trend turns and that room rates can be raised again immediately when demand increases. Higher room rates combined with increased occupancy can bring massive revenue growth," concluded Franz Jurkowitsch, chairman of Warimpex's Management Board.