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Losses from write-downs in the first half of 2009 – indicators show stabilizing hotel market

- **Valuation of properties as at 30 June 2009 reveals impairments totalling EUR 87.5 million because of the difficult market conditions, especially for transactions**
- **Stabilization of the hotel market in the second quarter expected to slow decline**
- **Falling interest rates and rising yields for properties in Central and Eastern Europe expected to boost transaction volumes at the end of 2009**
- **Development projects continued successfully and according to plan – showcase hotels andel's Berlin and andel's Łódź completed**

Key figures in EUR millions	**H1 2009**	**Change**	**H1 2008**
Total revenues	37,778	-15%	44,325
Gains from the sale of project companies	2,288	-76%	9,585
EBITDA	-1,875	-	19,035
EBIT	-82,631	-	12,847
Profit for the period	-98,567	-	136
Earnings/loss per share in EUR	-2.62	-	-0.00
Number of hotels	19	2	17
Number of rooms (adjusted for proportionate share of ownership)	3,195	633	2,562
Number of office and commercial properties	5	-2	7
Number of hotel development projects	5	-9	14
	30.06.2009		**31.12.2008**
Gross asset value (GAV) in EUR millions	557.5	-16%	666.7
Triple net asset value (NNNAV) in EUR millions	117.6	-62%	310.9
NNNAV per share in EUR ***	3.3	-62%	8.4

* restated

Vienna, 28 August 2009 – The first half of the year for Warimpex Finanz- und Beteiligungs AG brought a loss in the amount of EUR 98.6 million because of impairment write-downs, and also in part serious declines in occupancy levels and room rates. Warimpex was not able to escape the effects of the adverse overall market environment, and was hit especially hard by the virtual freeze on the transaction market that led to rising discount margins and therefore to changes in the valuation of the Group's properties as at the reporting date. In contrast, the Company also saw clear recovery tendencies on the hotel market towards the end of the reporting period, and a series of positive events – first and foremost the opening of the two showcase andel's hotels in Berlin and Łódź. There are also clear signs that the transaction market will recover at the end of 2009.

The hotel industry is also generally early cyclical, and therefore reacts differently to changes on the market than office properties. Compared to 2008, the numbers at our hotels in May, June and July were already notably better than in February and March. These gains can be attributed above all to good business in the tourism segment. Now, the most important factor will be the month of September, when the corporate market picks back up and the room rates for 2010 are negotiated. Advance reservations for conferences and seminars are already higher this year than at this point in 2008.

In the Development & Asset Management segment, which comprises our property development and sales activities, our development projects are under construction and proceeding according to schedule. Conditions for selling properties remained difficult in the second quarter of 2009, but the sale of the newly renovated Csogolany office building in Budapest at good terms at the end of June was very encouraging. Falling interest rates and rising yields for properties in Central and Eastern Europe are attracting increased attention to the region among institutional real estate investors.

Financial result

Consolidated sales were down by 15 per cent from EUR 44.3 million to EUR 37.8 million in the first six months of the 2009 financial year. Revenues from hotel operations fell from EUR 41.6 million in the first half of 2008 to EUR 34.9 million in the reporting period. The majority of this decline can be attributed to Prague, where sales in the five-star segment declined by as much as 40 per cent in annual comparison. Sales also contracted considerably in some cases in the four-star segment in the Czech Republic and on other markets. In contrast, revenues from the letting of offices and the provision of development services increased by 6 per cent to EUR 2.9 million.

The operating profit before write-downs (EBITDA) fell from EUR 19 million in the first six months of 2008 to minus EUR 1,9 million, and the operating profit (EBIT) decreased from EUR 12.8 million at 30 June 2008 to minus EUR 98.6 million at the reporting date because of write-downs. All properties were valuated by the independent international appraiser CB Richard Ellis (CBRE) as of 30 June 2009. The property values that were determined were impacted especially by the difficult market environment at the reporting date, especially in terms of transaction volume. Overall, impairments totalling EUR 87.5 million had to be recognized because the fair values at the reporting date were lower than the carrying values.

Real estate assets

At 30 June 2009, the real estate portfolio of the Warimpex Group comprised nineteen hotels with a total of 4,603 rooms (3,195 rooms when adjusted for the proportionate share of ownership), plus five office properties with a total lettable floor area of some 28,000 square metres (18,000 square metres when adjusted for the proportionate share of ownership).

To ensure complete transparency, all properties were valuated by the independent international appraiser CB Richard Ellis (CBRE) as at 30 June 2009, and Warimpex also reports its triple net asset Value (NNNAV) in its management report. As of 30 June 2009, the NNNAV per share was EUR 3.3, and therefore roughly 62 per cent lower than at the end of 2008.

Outlook

[1] The NNNAV was defined by the EPRA (European Public Real Estate Association) as an internationally comparable "intrinsic value" of all assets of an investment company and takes reserves and deferred taxes into account in addition to the net asset value (NAV).

In the coming months, our strategic focus will be on completing the projects that we currently have under construction, optimizing our portfolio and on actively managing our assets. As soon as transaction volumes pick up on the market again, we plan to seize promising opportunities to buy and sell properties. We have already seen signs that our market bottomed out in the first half of the year. Warimpex has accounted for all developments to date in its balance sheet, and is now at the beginning of a phase of recovery.

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