

First half brings good operating result for Warimpex

- **Stable sales revenues and the sale of the angelo hotel in Munich boost EBITDA to EUR 6.3 million (plus 32 per cent) and EBIT to EUR 4.5 million (plus 55 per cent)**
- **Transaction market upturn used to adjust portfolio in the luxury segment with the sale of the Palace Hotel in Prague after the reporting date**
- **Net operating profit (NOP) up by 2 per cent – focus on high-quality existing properties should further improve NOP margins and cash flows**
- **Profit of minus EUR 5.7 million for the period due to scheduled write-downs and typical weakness of first half**

The first half of 2013 brought stable revenue despite the lower number of rooms after the sale of the angelo hotel in Munich and the strong comparison period in 2012 due to the European football championships in Poland. The 6 per cent decline in overall revenue to EUR 31.4 million can be attributed to lower revenue from the provision of development services as a consequence of the completion of Le Palais Offices in Warsaw. EBITDA, one of Warimpex's most important performance indicators because it is not distorted by industry-specific valuation methods, was up by a gratifying 32 per cent to EUR 6.3 million. EBIT even grew by 55 per cent to EUR 4.5 million.

As was already seen in the first quarter of this year, the result from joint ventures – primarily stakes of less than 50 per cent that are not consolidated – slid into negative territory. In addition to the typical weakness of the first half of the year in the industry, stable expenses and scheduled write-downs, a key reason for this was the one-off effects seen last year in connection with the sale of the InterContinental hotel in Warsaw. Overall, this resulted in a negative financial result of EUR 10 million. The good operating result in the first half of the year was not enough to offset this, so the result for the period came in at minus EUR 5.7 million.

There has been a great deal of positive activity since the beginning of the year in terms of project completions and openings (Le Palais Offices Warsaw, Hotel Palais Hansen Kempinski Vienna), capital measures (bonds and convertible bonds in Warsaw), new rentals (Gazprom subsidiary at the Airport City St. Petersburg office tower) and refinancing (Ekaterinburg loan refinancing). Shortly before the release of the semi-annual report in August 2013, the project loan for Airport City in St. Petersburg in the amount of EUR 60 million was converted into a long-term real estate financing facility with a Russian bank. An improved annuity structure will significantly improve the cash flow of the entire project and will reduce the company's short- and medium-term liabilities.

Focus on strong existing projects and boosting the NOP

The company has taken advantage of the resurging transaction market to dispose of luxury-segment holdings in Prague, as it sees little potential for a rapid, sustainable recovery here. In light of this, the sale of the five-star Palace Hotel in Prague at the beginning of the second half of the year was a strategically important move. The clear goal is to further improve the net operating profit margins and cash flows in future. This can be achieved by selling properties with poorer performance levels and by focusing on high-quality existing properties. In the first half of the year, this already resulted in a 2 per cent increase in the net operating profit in the Hotels & Resorts

segment, despite a 2 per cent decrease in the number of rooms due to the sale of the stake in the angelo hotel in Munich at the beginning of the year. In the Asset Management sub-segment, rental revenue from office properties increased from EUR 1.0 million to EUR 2.8 million thanks to the rental of space at Airport City St. Petersburg.

Stable real estate values

Warimpex again had its portfolio appraised by the independent real estate expert CB Richard Ellis (CBRE) as of 30 June 2013. The NNNAV is now at EUR 3.1 per share, 5 per cent below the previous valuation as of 31 December 2012. The Chopin Hotel in Krakow had a positive effect on the valuation. Here, Warimpex was able to purchase the property that had originally been leased until 2051 from the city of Krakow in the first half of the year, substantially increasing the value of the project. This has also opened up a development opportunity on the Krakow office property market, which has a low level of development in general.

“The third and fourth quarters are typically the strongest in the hotel industry, and I am confident that we will see further operational growth. But the level of success in the remainder of the financial year is highly dependent on further sales transactions. Corresponding negotiations are in progress. I am certain that the important steps we have taken over the past months – our focus on our existing properties with good utilization levels and promising development projects like the further expansion of Airport City St. Petersburg – have put us on the right path,” Jurkowitsch concluded.

The numbers for the first half of 2013 at a glance (as of 30 June 2013)

Key figures in thousands of euros	1–6/2013	+/- (%)	1–6/2012
Revenues from the Hotels & Resorts segment	29,398	0%	29,338
Revenues from the Development & Asset Management segment	1,964	- 50%	3,920
Total revenues	31,361	- 6%	33,259
Gains from the sale of project companies	1,586	382%	329
EBITDA	6,304	32%	4,785
EBIT	4,480	55%	2,884
Result from joint ventures	- 973	-	7,141
Profit for the period	- 5,706	-	604
Number of hotels	21	-	21
Number of rooms (adjusted for proportionate share of ownership)	3,423	- 44	3,467
Number of office and commercial properties	5	-	5
Segment reporting (including joint ventures on a proportionate basis)			
Revenues from the Hotels & Resorts segment	52,456	-2%	53,514
NOP of the Hotels & Resorts segment	14,885	2%	14,612
Revenues from the Development & Asset Management segment	4,192	- 4%	4,345
EBITDA of the Development & Asset Management segment	- 266	-	- 1,644
	30 June 2013	+/- %	31.12.2012
Gross asset value (GAV) in millions of euros	540.3	-3%	558.5
Triple net asset value (NNNAV) in millions of euros	164.8	- 5%	172.7
NNNAV per share in EUR	3.1	- 5%	3.2
End-of-period share price	1.20	24%	0.97