

warimpex

60 years
a pioneer
through
the decades

WARIMPEX
*Report on the
First Quarter
of 2019*

WARIMPEX GROUP

Key Figures

in EUR '000	1–3/2019	Change	1–3/2018
Hotels revenues	1,821	-24%	2,381
Investment Properties revenues	4,065	7%	3,803
Development and Services revenues	379	-25%	506
<i>Total revenues</i>	6,265	-6%	6,690
Expenses directly attributable to revenues	-2,906	-10%	-3,236
<i>Gross income from revenues</i>	3,360	-3%	3,453
Gains or losses from the disposal of properties	7,285	–	–
EBITDA	7,602	484%	1,302
Depreciation, amortisation, and remeasurement	-152	18%	-129
EBIT	7,450	535%	1,173
Earnings from joint ventures	474	–	-770
Profit or loss for the period	11,799	–	-2,975
Profit or loss for the period (shareholders of the parent)	8,838	–	-2,017
Net cash flow from operating activities	-329	–	184
Equity and liabilities	314,823	21%	260,874
Equity	103,768	30%	80,066
Share capital	54,000	–	54,000
Equity ratio	33%	2 pp	31%
Average number of shares in the financial year	54,000,000	–	54,000,000
Earnings per share in EUR	0.16	–	-0.04
Number of hotels	5	-1	6
Number of rooms (adjusted for proportionate share of ownership)	766	-126	892
Number of office and commercial properties	8	2	6
Lettable office space (adjusted for proportionate share of ownership)	73,300m ²	83%	40,100m ²
Segment information (including joint ventures on a proportionate basis):			
Hotels revenues	7,814	-9%	8,585
Hotels net operating profit (NOP)	859	-22%	1,108
NOP per available room in EUR	866	-20%	1,083
Investment Properties revenues	5,068	5%	4,840
Investment Properties EBITDA	3,731	-1%	3,813
Development and Services revenues	544	-26%	657
Gains or losses from the disposal of properties	7,285	–	–
Development and Services EBITDA	5,112	–	-1,618
	31/12/2018¹	Change	31/12/2017¹
Gross asset value (GAV) in EUR millions	269.9	33%	202.5
Triple net asset value (NNNAV) in EUR millions	137.6	5%	131.4
NNNAV per share in EUR	2.56	5%	2.44
End-of-period share price in EUR	1.00	-30%	1.43

¹ As no external valuation of the portfolio was completed as at 31 March 2019 or 31 March 2018, the latest available values are shown.

FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Shareholders,

As previously stated in connection with the annual results for 2018, our focus for this year is primarily on building up our property portfolio and strengthening our earning potential. In order to achieve this, we are working to complete ongoing developments and pushing ahead with the development of new projects. Another equally important aspect of our plans is the acquisition of cash-flow generating assets with potential for the future.

This strategy is underlined by some current examples involving purchases and the completion of projects. After the reporting period – at the end of April – we secured the purchase of a hotel property in the German city of Darmstadt, which marks our re-entry into the German hotel market. We plan to reopen the three-star conference hotel, which is currently closed, before the end of the year and reposition it under a new brand following a refurbishment and renovation phase that will be completed without disrupting ongoing operations. The hotel property also has property reserves for the development of additional premium office and commercial space – we believe that a coworking concept would be a particularly good fit here. The city of Darmstadt is primarily distinguished by its rapidly growing economy and excellent infrastructure. The hotel market benefits from a high volume of business travellers and the proximity to the Messe Frankfurt convention centre.

Opening of office building in Krakow and increased involvement in St. Petersburg

We also have good news to report from the Polish market. In May, we officially opened the Mogilska office project in Krakow. The ultra-modern, class A office building was completed on schedule after a construction period of 21 months and offers a total of 12,000 square metres over eight storeys. Rental agreements have been signed for the majority of the office space, and the first tenants have already moved in. Also in May, we announced the acquisition of a 35 per cent stake in the project company AO AVIELENA.G. Following this acquisition, Warimpex will hold a total stake of 90 per cent in AVIELEN, which is responsible for the development and operation of AIRPORTCITY St. Petersburg. The closing of the transaction is still subject to the standard closing prerequisites for transactions of this type, in particular the approval of the Russian antitrust authority.

Disposals in Karlovy Vary and Budapest

In accordance with our corporate strategy, we also completed two successful sales in the first quarter of 2019. On the one hand, we sold the Dvořák hotel in the Czech city of Karlovy Vary to an international private investor in February. The four-star hotel with 126 rooms and suites was opened by Warimpex in 1990 and boasts an exclusive location not far from Karlovy Vary's "drinking colonnades", where the source of the healing mineral springs can be found. On the other hand, we disposed of the Sajka office building with its roughly 600 square metres of lettable space in Budapest, Hungary, at the start of the year.

Key financial figures for the first quarter of 2019 at a glance

The sale of the operating company for the Dvořák hotel in Karlovy Vary at the end of February is also reflected in the revenues in the Hotels segment, which declined by 24 per cent quarter-on-quarter in the first quarter of 2019 and came to EUR 1.8 million. We are pleased to report an increase in revenues from the rental of office properties. This figure rose to EUR 4.1 million due to the purchase of the B52 office building in Budapest in May 2018 and the completion of the Ogradowa office building in Łódź in October 2018. Total revenues fell by 6 per cent to EUR 6.3 million.

EBITDA improved from EUR 1.3 million to EUR 7.6 million, primarily due to gains on property sales. EBIT increased from EUR 1.2 million to EUR 7.5 million. The financial result (including earnings from joint ventures) improved from minus EUR 4.1 million to EUR 5.7 million. This includes changes in foreign exchange rates in the amount of EUR 6.4 million (2018: minus EUR 2.1 million). The result for the period increased from minus EUR 3.0 million in the previous year to EUR 11.8 million. This can be attributed to higher gains on property sales and a positive financial result due to exchange rate gains.

Outlook

Our goal for the current financial year is still to build up our portfolio – and the primary focus of our activities is to push ahead with development projects. We expect to see a significant increase in revenues in the Investment Properties segment and an improvement in gross income thanks to rental revenue from new assets – first and foremost the two office buildings in Poland. I am also very excited that we are once again active on the German hotel market in addition to our continued operations in our core markets of Poland, Hungary, and Russia. On this note, we look forward to a dynamic and positive financial year in 2019.

Franz Jurkowitsch

Assets, Financial Position, and Earnings Situation

Earnings situation

Development of revenues

In the first quarter of 2019, revenues in the Hotels segment fell to EUR 1.8 million, which represents a decline of 24 per cent compared with the first quarter of 2018. This can be attributed primarily to the sale of the operating company for the Dvořák hotel in Karlovy Vary at the end of February 2019.

Revenues from the rental of office properties (Investment Properties revenues) rose from EUR 3.8 million to EUR 4.1 million due to the purchase of the B52 office building in May 2018 and the completion of the Ogrodowa office building in Łódź in October 2018.

Total revenues declined by 6 per cent to EUR 6.3 million and the expenses directly attributed to revenues dropped from EUR 3.2 million to EUR 2.9 million. This results in gross income from revenues of EUR 3.4 million (2018: EUR 3.5 million).

Gains or losses from the disposal of properties

During the reporting period, Warimpex sold an office property in Budapest and the operating company for the Dvořák spa hotel in Karlovy Vary. The gain from these disposals totalled EUR 7.3 million.

EBITDA – EBIT

Earnings before interest, taxes, depreciation, and amortisation, and gains/losses on the remeasurement of investment properties (EBITDA) rose from EUR 1.3 million to EUR 7.6 million, primarily due to gains on property sales.

EBIT increased from EUR 1.2 million to EUR 7.5 million.

Financial result

The financial result (including earnings from joint ventures) improved from minus EUR 4.1 million to EUR 5.7 million. This includes changes in foreign exchange rates in the amount of EUR 6.4 million (2018: minus EUR 2.1 million).

Finance expenses were reduced by 28 per cent compared with the prior-year period and broke down as follows:

in EUR '000	1–3/2019	1–3/2018
Composition		
Interest on short-term borrowings, project loans, and other loans	(886)	(967)
Interest on loans from minority shareholders	(350)	(504)
Interest on bonds	(102)	(41)
Interest on convertible bonds	–	(194)
Interest on lease liabilities	(36)	–
Other finance expenses	(65)	(286)
	(1,439)	(1,992)

Profit or loss for the period

The result for the period for the Warimpex Group increased from minus EUR 3.0 million in the previous year to EUR 11.8 million. This improvement can be attributed to higher gains on property sales and a positive financial result due to exchange rate gains (2018: exchange rate losses).

Financial position

Changes in the most important assets and liabilities:

Property, plant, and equipment	Hotels	Reserve properties	Right-of-use assets	Other property, plant, and equipment	Total
Changes in 2019:					
Carrying amounts at 1 January	20,982	3,741	1,077	1,561	27,362
Additions	19	–	–	5	24
Disposals	(3)	–	–	–	(3)
Reclassification to investment properties	–	(3,741)	–	–	(3,741)
Scheduled depreciation	(185)	–	(93)	(32)	(310)
Impairment reversals	170	–	–	–	170
Exchange adjustments	1,944	–	14	–	1,957
Carrying amounts as at 31 March	22,926	–	997	1,534	25,457

Investment properties	Developed properties	Development properties	Reserve properties	Total
Changes in 2019:				
Carrying amounts at 1 January	173,392	32,506	6,356	212,253
Additions/investments	2,471	7,129	102	9,702
Transfer of property, plant, and equipment	–	3,741	–	3,741
Net measurement result	(10)	(2)	–	(12)
Exchange adjustments	5,829	256	438	6,522
Carrying amounts as at 31 March	181,681	43,630	6,895	232,207

Financial liabilities	Project loans	Working capital loans	Bonds, convertible bonds	Loans from minorities and others	Lease liabilities	Total
Changes in 2019:						
As at 1 January	99,161	3,194	14,569	42,425	1,574	160,923
Borrowing	8,603	–	–	–	–	8,603
Repayment	(1,239)	(1,094)	–	–	(105)	(2,439)
Change in accumulated interest	(210)	–	117	(772)	29	(835)
Exchange rate and other changes	1,088	–	–	19	–	1,107
As at 31 March	107,402	2,100	14,686	41,672	1,498	167,358
<i>thereof current (due < 1 year)</i>	<i>4,491</i>	<i>2,100</i>	<i>138</i>	<i>1,138</i>	<i>356</i>	<i>8,224</i>
<i>thereof non-current (due > 1 year)</i>	<i>102,911</i>	<i>–</i>	<i>14,548</i>	<i>40,534</i>	<i>1,142</i>	<i>159,135</i>

Segment analysis

The Warimpex Group has defined the business segments of: Hotels, Investment Properties, and Development and Services. The joint ventures that are recognised using the equity method in the consolidated financial statements are included in the segment report using the proportionate consolidation method. The Hotels segment is comparable with the hotels and/or hotel rooms held by the Group as consolidated entities in the reporting period (with the joint ventures recognised on a proportionate basis). The Investment Properties segment

contains the rental revenue from office properties. The Development and Services segment covers development services, activities of the Group parent, and profit contributions from the sale of properties.

Key figures that are typical for the sector are used to manage the hotels. These include GOP (gross operating profit, calculated according to the Uniform System of Accounts for the Lodging Industry) and NOP (net operating profit, which corresponds to the GOP less specific costs of ownership after GOP such as management fees, insurance, land tax, etc.).

Outlook

Hotels segment*

in EUR '000	1–3/2019	1–3/2018
Revenues for the Group	7,814	8,585
Average number of hotel rooms for the Group	992	1,024
Occupancy	65%	68%
RevPar in EUR	58.6	59.2
GOP for the Group	1,575	1,856
NOP for the Group	859	1,108
NOP/available room in EUR	866	1,083

* Including all joint ventures on a proportionate basis

In the reporting period, the average number of rooms falling under Group ownership as well as GOP and NOP declined due to the sale of the operating company of the Dvořák hotel at the end of February 2019.

Investment Properties segment*

in EUR '000	1–3/2019	1–3/2018
Revenues for the Group	5,068	4,840
Segment EBITDA	3,731	3,813
Remeasurement result	-10	-4

* Including all joint ventures on a proportionate basis

The revenues and EBITDA of the Investment Properties segment increased primarily due to the purchase of the B52 office building and the completion of the Ogrodowa office building.

Development and Services segment*

in EUR '000	1–3/2019	1–3/2018
Revenues for the Group	544	657
Gains or losses from the disposal of properties	7,285	–
Segment EBITDA	5,112	-1,619

* Including all joint ventures on a proportionate basis

The results in this segment depend heavily on the sale of real estate holdings (share deals) and properties (asset deals) and are subject to significant year-on-year fluctuation.

The following development projects are currently under construction or development:

- Repositioning of a hotel in Darmstadt
- Chopin office building with roughly 21,000 square metres of space, Krakow (currently being planned)
- Avior Towers with roughly 20,000 square metres of space, St. Petersburg (currently being planned)
- Renovation of Mogilska 41 office building
- Mogilska 3 office building with roughly 12,000 square metres of space, Krakow (currently being planned)

Building up our portfolio will be the focus of our activities again in 2019. On the basis of selective purchases and consistent construction progress, we are confident that we will be able to further expand our portfolio volume by the end of 2019. At the same time, we expect to see a significant increase in revenues in the Investment Properties segment and an improvement in gross income thanks to rental revenue from our new assets – first and foremost the Ogrodowa office building in Łódź and the B52 in Budapest as well as the recently completed Mogilska 43 office building in Krakow.

Along with our continued operations in our core markets of Poland, Hungary, and Russia, we are pleased to be active in the German hotel sector again thanks to the acquisition in Darmstadt. We plan to integrate coworking spaces into the hotel and reopen it very quickly. There are also hotel sales on the agenda – the Dvořák hotel in Karlovy Vary was already sold in the first quarter of 2019.

Vienna, 28 May 2019



Franz Jurkowitzch
Chairman
of the Management Board



Daniel Foliań
Vice-Chairman
of the Management Board



Alexander Jurkowitzch
Member of the
Management Board



Florian Petrowsky
Member of the
Management Board

Condensed Consolidated Income Statement

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019 – UNAUDITED

in EUR '000	1–3/2019	1–3/2018
Hotels revenues	1,821	2,381
Investment Properties revenues	4,065	3,803
Development and Services revenues	379	506
Revenues	6,265	6,690
Expenses from the operation of hotels	(1,707)	(2,058)
Expenses from the operation of investment properties	(970)	(774)
Expenses directly attributable to development and services	(229)	(404)
Expenses directly attributable to revenues	(2,906)	(3,236)
Gross income from revenues	3,360	3,453
Income from the sale of properties	8,920	–
Disposal of carrying amounts and expenses related to sales	(1,635)	–
Gains or losses from the disposal of properties	7,285	–
Administrative expenses	(2,379)	(1,786)
Other expenses	(663)	(365)
Earnings before interest, taxes, depreciation, amortisation, and remeasurement (EBITDA)	7,602	1,302
Scheduled depreciation and amortisation on property, plant, and equipment and intangible assets	(218)	(228)
Scheduled depreciation on right-of-use assets	(94)	–
Reversals of impairment on property, plant, and equipment	170	171
Gains/losses on remeasurement of assets/disposal groups held for sale	–	(69)
Gains/losses on remeasurement of investment property	(10)	(4)
Depreciation, amortisation, and remeasurement	(152)	(129)
Earnings before interest and taxes (EBIT)	7,450	1,173
Interest revenue	196	237
Other finance income	–	498
Finance expenses	(1,439)	(1,992)
Changes in foreign exchange rates	6,398	(2,096)
Earnings from joint ventures (equity method) after taxes	474	(770)
Financial result	5,628	(4,122)
Earnings before taxes	13,078	(2,949)
Current income taxes	(1,220)	39
Deferred income taxes	(59)	(64)
Taxes	(1,279)	(26)
Profit or loss for the period	11,799	(2,975)
thereof profit or loss of non-controlling interests	2,961	(957)
thereof profit or loss of shareholders of the parent	8,838	(2,017)
Earnings per share in EUR:		
Undiluted earnings per share in EUR	0.16	-0.04
Diluted earnings per share in EUR	0.16	-0.04

Condensed Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019 – UNAUDITED

in EUR '000	1–3/2019	1–3/2018
Profit or loss for the period	11,799	(2,975)
Foreign exchange differences	2,136	(464)
<i>thereof reclassified to the income statement</i>	–	9
(Deferred) taxes in other comprehensive income	(1)	12
Other comprehensive income (reclassified to profit or loss in subsequent periods)	2,135	(451)
Gains/losses from assets measured at fair value through other comprehensive income	24	11
Other comprehensive income (not reclassified to profit or loss in subsequent periods)	24	11
Other comprehensive income	2,159	(440)
Total comprehensive income for the period	13,957	(3,415)
thereof profit or loss of non-controlling interests	3,402	(997)
thereof profit or loss of shareholders of the parent	10,556	(2,418)

Condensed Consolidated Statement of Financial Position

AS AT 31 MARCH 2019 – UNAUDITED

in EUR '000	31/3/2019	1/1/19	31/12/2018	31/3/2018
ASSETS				
Property, plant, and equipment	25,457	27,362	26,303	29,144
Investment property	232,207	212,253	211,747	163,833
Other intangible assets	5	5	5	9
Joint ventures (equity method)	10,669	9,337	9,337	16,741
Financial assets measured at fair value through other comprehensive income	6,287	6,255	6,255	6,157
Other financial assets	10,113	9,906	9,906	12,905
Deferred tax assets	2,329	1,952	1,952	1,871
Non-current assets	287,068	267,069	265,505	230,659
Inventories	137	168	168	211
Contract assets	–	–	–	5,646
Trade and other receivables	6,321	6,659	6,659	5,335
Cash and cash equivalents	11,775	8,456	8,456	13,623
Non-current assets (disposal groups), held for sale	9,522	15,519	11,223	5,400
Current assets	27,756	30,802	26,506	30,215
TOTAL ASSETS	314,823	297,871	292,012	260,874
EQUITY AND LIABILITIES				
Share capital	54,000	54,000	54,000	54,000
Retained earnings	71,033	62,171	62,171	57,429
Treasury shares	(811)	(474)	(474)	(301)
Other reserves	(3,115)	(4,810)	(4,810)	(2,619)
Equity attributable to shareholders of the parent	121,106	110,887	110,887	108,509
Non-controlling interests	(17,338)	(20,740)	(20,740)	(28,443)
Equity	103,768	90,147	90,147	80,066
Other bonds	14,548	14,493	14,493	5,403
Other financial liabilities	143,445	135,019	135,019	116,996
Derivative financial instruments	–	–	–	410
Lease liabilities	1,142	1,219	–	–
Other liabilities	8,752	9,070	9,071	14,200
Provisions	3,156	3,156	3,156	2,357
Deferred tax liabilities	8,187	7,900	7,900	5,573
Deferred income	2,805	2,622	2,622	3,096
Non-current liabilities	182,036	173,479	172,261	148,034
Convertible bonds	–	–	–	2,144
Other bonds	138	76	76	1,617
Other financial liabilities	7,729	9,761	9,761	10,493
Lease liabilities	356	355	–	–
Trade and other payables	18,801	17,808	17,816	16,384
Provisions	637	950	950	1,829
Income tax liabilities	1,177	184	184	115
Deferred income	181	166	166	192
Liabilities directly associated with the assets (disposal groups) held for sale	–	4,946	651	–
Current liabilities	29,020	34,246	29,603	32,774
Liabilities	211,056	207,725	201,865	180,809
TOTAL EQUITY AND LIABILITIES	314,823	297,871	292,012	260,874

Condensed Consolidated Statement of Cash Flows

FOR THE PERIOD FROM 1 JANUARY TO 31 MARCH 2019 – UNAUDITED

in EUR '000	1–3/2019	1–3/2018
Cash receipts		
from hotel operations and rent received	6,336	6,724
from real estate development projects and other	93	59
from interest income	102	57
Cash receipts from operating activities	6,531	6,839
Cash payments		
for real estate development projects	(207)	(57)
for materials and services received	(1,979)	(1,873)
for related personnel expenses	(1,957)	(2,374)
for other administrative expenses	(2,474)	(2,139)
for income taxes	(243)	(212)
Cash payments for operating activities	(6,860)	(6,655)
Net cash flows from operating activities	(329)	184
Cash receipts from		
the sale of disposal groups and property	8,088	–
less outflow of cash and cash equivalents from disposal groups sold	(246)	–
disposal proceeds from purchase price receivables relating to disposals in prior periods	–	1
other financial assets	–	729
Cash receipts from investing activities	7,842	730
Cash payments for		
investments in property, plant, and equipment	(62)	(222)
investments in investment property	(8,472)	(4,175)
joint ventures	(55)	(720)
Cash payments for investing activities	(8,589)	(5,117)
Net cash flows from investing activities	(747)	(4,387)
Cash payments for the purchase of treasury shares	(336)	–
Cash payments for the redemption of bonds and convertible bonds	–	(2,371)
Cash receipts from loans and borrowing	8,603	5,741
Payments made for the repayment of loans and borrowing	(2,334)	(4,643)
Payments made for the repayment of lease liabilities	(206)	–
Paid interest (for loans and borrowing)	(2,038)	(3,174)
Paid interest (for bonds and convertible bonds)	(6)	(181)
Paid financing costs	(65)	(218)
Net cash flows from/used in financing activities	3,617	(4,846)
Net change in cash and cash equivalents	2,542	(9,049)
Foreign exchange rate changes in cash and cash equivalents	–	(1)
Foreign exchange rate changes from other comprehensive income	429	(176)
Cash and cash equivalents at 1 January	8,805	22,849
Cash and cash equivalents at 31 March	11,775	13,623
Cash and cash equivalents at the end of the period consist of:		
Cash and cash equivalents of the Group	11,775	13,623

Condensed Consolidated Statement of Changes in Equity

AS AT 31 MARCH 2019 – UNAUDITED

in EUR '000	Equity attributable to shareholders of the parent					Non-controlling interests	Total equity
	Share capital	Retained earnings	Treasury shares	Other reserves	Total		
As at 1 January 2018	54,000	59,435	(301)	(2,208)	110,926	(27,445)	83,481
Total comprehensive income for the period	–	(2,006)	–	(411)	(2,418)	(997)	(3,415)
<i>thereof profit for the period</i>	–	(2,017)	–	–	(2,017)	(957)	(2,975)
<i>thereof other comprehensive income</i>	–	11	–	(411)	(400)	(40)	(440)
As at 31 March 2018	54,000	57,429	(301)	(2,619)	108,509	(28,443)	80,066
As at 1 January 2019	54,000	62,171	(474)	(4,810)	110,887	(20,740)	90,147
Share buyback	–	–	(336)	–	(336)	–	(336)
Total comprehensive income for the period	–	8,862	–	1,694	10,556	3,402	13,957
<i>thereof profit for the period</i>	–	8,838	–	–	8,838	2,961	11,799
<i>thereof other comprehensive income</i>	–	24	–	1,694	1,718	441	2,159
As at 31 March 2019	54,000	71,033	(811)	(3,115)	121,106	(17,338)	103,768

Financial Calendar

2019

28 May 2019

Publication of the results for the first quarter of 2019

3 June 2019

Annual General Meeting

6 June 2019

Ex-dividend date

7 June 2019

Dividend record date

12 June 2019

Dividend payment date

27 August 2019

Publication of the results for the first half of 2019

29 November 2019

Publication of the results for the first three quarters of 2019

PUBLICATION DETAILS:

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We have compiled this report and checked the data with the greatest possible care.

Nonetheless, rounding, typographical, or printing errors cannot be ruled out.

The summation of rounded amounts and percentages may result in rounding differences.

Statements referring to people are intended to be gender-neutral.

This report was prepared in German, English, and Polish.

In cases of doubt, the German version is authoritative.

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