EQUITY RESEARCH PARTNER

Warimpex

Real Estate, Hotels | Austria

TP: EUR 0.86 (+25%)

Initiating coverage

- **2Q15 P/NNNAV at 0.28x with 59% discount to European peers.**
- **Further asset disposals should lead to narrowing of the valuation gap.**
- **We forecast EBITDA of EUR 14.4m in 2015E and EUR 16.3m in 2016E.**

Vestor DOM MAKLERSKI

equity research

2 October 2015

Deleveraging still in progress

We re-initiate the coverage of Warimpex with a 12-month target price of EUR 0.86/share (PLN 3.65/share). The company's results and valuation have been under pressure due to the Ukrainian crisis which forced Warimpex to accelerate asset disposals, also taking advantage from better investment demand especially in Western Europe. Following a successful sale of Andel's hotel in Berlin and earlier disposal of Jupiter 1&2 in St. Petersburg, we expect the sale of two JV hotels in Paris. Further asset disposals, deleveraging, and potential recovery of the hotel segment in Russia and Czech Republic are the key factors which could lead to narrowing of the valuation gap, as Warimpex trades with 59% P/NNNAV discount to European peers.

1H15 results/NNNAV under pressure due to the Ukrainian crisis. In recent quarters, Warimpex's share price was under strong pressure mainly due to the Ukrainian crisis, resulting in lower average daily revenues achieved in Russia (denominated in EUR) and lower occupancy rates. As a result in 1H15 the company has reported impairments of EUR 5.8m and loss on remeasurement of investment properties of EUR 15.1m. Given the abovementioned, the NNNAV decreased by 18% to EUR 131.7m (EUR 2.4/share) as of end-2Q15 from EUR 160.1m (EUR 3.0/share) as of end-4Q14.

Decreasing debt through disposals. Following the disposal of Jupiter 1&2 office buildings (net cash inflow of EUR 10m, with receivables from purchase price financing of EUR 13.3m to be received by end-2024) and Andel's hotel in Berlin (net cash inflow of EUR 17m), we expect gross debt on holding level to decrease from EUR 78.9m as of end-2014 to EUR 68.4m as of end-2015. Additionally, in the coming quarters the company plans to dispose of two JV projects in Paris (assuming the transaction price of EUR 100m, the potential net cash inflow might reach EUR 24m). We note that on holding level the company has EUR 10.7m loans to be repaid in 2H15E, and EUR 9.1m convertible bonds, EUR 15.2m bonds and EUR 23.4m loans to be repaid in 2016E.

We forecast EBITDA of EUR 14.4m in 2015E (-16% YoY) and EUR 16.3m in 2016E (+13% YoY). We expect Warimpex to report revenues of EUR 64.5m in 2015E (-13% YoY, mainly due to lower occupancy rates and ADR in Russia and Karlovy Vary) and EUR 71.6m in 2016E (+11% YoY). After deterioration of average occupancy rate from 67.0% in 2014 to 63.6% in 2015E, we assume recovery to nearly 66% in 2016E. We also point at the improvement of average ADR and gross margin. We forecast EBITDA of EUR 14.4m in 2015E and EUR 16.3m in 2016E (vs. EUR 17.1m in 2014) and net loss of EUR 15.0m in 2015E and EUR 3.5m in 2016E.

Valuation. We value Warimpex using SOTP valuation (90% weighting) and P/NNNAV peer-comparison valuation (10% weighting). Based on current information given for company's properties, our SOTP-method valuation amounts to EUR 0.77/share. We note that the company currently trades with 72% discount to its 2Q15 NNNAV and with 59% discount to European peers. We set the 12M TP for Warimpex at EUR 0.86/share (PLN 3.65/share).

Figure 1. Warimpex: Forecasts and ratios (EURm)

	2013	2014	2015E	2016E	2017E
Revenues	90.2	73.8	64.5	71.6	74.3
EBITDA	18.8	17.1	14.4	16.3	17.3
Net profit	3.0	-20.7	-15.0	-3.5	-5.8
GAV	508.0	498.0	391.4	396.3	396.8
P/BV	0.41	0.52	0.70	0.75	0.84

Source: Bloomberg, Vestor DM estimates

Company data

Target price (EUR)	0.86
Target price (PLN)	3.65
Share price (EUR)	0.69
Share price (PLN)	2.79
Upside/downside potential	25%
Min (PLN, 52T)	2.79
Max (PLN, 52T)	4.48
No. of shares (m)	54.0
Market cap. (EURm)	36.2
Net debt (4Q2014, EURm)	359.8
EV (EURm)	396.0
Avg. 3M turnover (EURm)	0.02

Shareholders	%
Franz Jurkowitsch	14%
Georg Folian	14%
Amber Privatstiftung	11%
Bocca Privatstiftung	11%
Aviva OFE	5%
Amplico OFE	5%
ING OFE	4%
Free float	36%

Company description

Warimpex is the real estate company that develops and operates properties itself as an asset manager and property owner until the time at which the highest added value can be realized through sale. Warimpex has one of the largest hotel portfolio in CEE, consisting of 18 hotels as of end-2Q15 with over 4,600 rooms (3,174 proportionate stake) and six office buildings (total NRA of 43,100) located in 8 countries (Czech Republic, Poland, Romania, Russia, Germany, France, Hungary, Austria).

Warimpex vs. WIG: relative performance

Source: Bloomberg, Vestor DM

Marek Szymański
Equity Analyst
(+48) 22 378 9217
Marek.Szymanski@vestor.pl

Warimpex

P&L (EURm)	2013	2014	2015E	2016E	2017E
Revenues	**90.2**	**73.8**	**64.5**	**71.6**	**74.3**
Hotel revenues	69.4	61.6	57.3	61.3	64.0
Investment Properties revenues	10.7	9.8	4.7	7.8	7.8
Development and Services revenues	10.0	2.5	2.5	2.5	2.5
Gross income from revenues	**29.8**	**28.3**	**23.4**	**26.8**	**27.6**
Result from disposal of properties	2.0	0.0	-1.4	0.0	0.0
Administrative costs	-9.9	-8.2	-8.1	-8.1	-8.2
Other operating costs, net	-3.1	-2.9	0.5	-2.4	-2.2
EBITDA	**18.8**	**17.1**	**14.4**	**16.3**	**17.3**
Depreciation, amortization and remeasurement	16.8	-22.3	-36.4	-7.6	-10.8
Scheduled D&A	-11.9	-11.5	-11.3	-11.3	-11.3
Impairments and remeasurements	28.7	-10.8	-25.1	3.7	0.5
EBIT	**35.6**	**-5.2**	**-22.0**	**8.8**	**6.5**
EBIT adj. **	7.0	5.6	3.1	5.0	6.0
Finance income	1.0	4.2	1.7	0.4	0.2
Finance expenses	-23.2	-23.0	-19.7	-18.6	-18.5
Exchange rate changes	-3.7	-14.4	4.5	0.0	0.0
Result from JV after tax	2.2	1.5	11.4	1.5	1.5
Pre-tax profit	**12.1**	**-36.8**	**-24.0**	**-8.0**	**-10.3**
Income tax	-5.0	1.4	0.0	0.0	0.0
Minorities	4.1	-14.7	-9.0	-4.5	-4.5
Net income	**3.0**	**-20.7**	**-15.0**	**-3.5**	**-5.8**
Growth (%)	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Revenues growth (%)	-	-18%	-13%	11%	4%
EBITDA growth (%)	-	-9%	-16%	13%	6%
EBIT adj. Growth** (%)	-	-19%	-45%	62%	19%
Profitability (%)	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Gross margin (%)	33.0%	38.3%	36.2%	37.5%	37.2%
EBITDA margin (%)	20.9%	23.2%	22.3%	22.8%	23.3%
Operating margin adj.** (%)	7.7%	7.6%	4.8%	7.0%	8.1%
Balance sheet (EURm)	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Fixed assets	**403.8**	**389.2**	**379.1**	**373.0**	**364.9**
PP&E	281.8	249.1	233.5	228.0	220.6
Investment properties	73.1	87.8	94.6	94.6	94.6
Goodwill and intangible assets	1.0	1.0	1.0	1.0	1.0
Net investment in JV (at equity)	36.8	36.2	28.2	28.2	28.2
Other fixed assets	11.2	15.2	21.8	21.2	20.6
Current assets	**102.2**	**104.2**	**54.1**	**39.4**	**34.7**
Inventories	1.0	0.8	1.0	1.0	1.0
Trade receivables	10.5	21.1	14.7	15.7	16.4
Cash and cash equivalents	6.5	9.8	25.6	15.6	10.2
Other current assets	84.2	72.5	12.8	7.1	7.1
Total assets	**506.1**	**493.4**	**433.2**	**412.3**	**399.6**
Equity	**90.2**	**72.1**	**53.4**	**49.9**	**44.1**
Minorities	-1.4	-14.5	-23.5	-28.0	-32.5
Long-term liabilities	**340.1**	**352.4**	**353.9**	**355.8**	**356.7**
LT debt	313.2	330.4	327.6	331.1	333.6
Other LT liabilities	26.8	22.1	26.3	24.7	23.1
Short-term liabilities	**77.3**	**83.3**	**49.5**	**34.6**	**31.3**
ST debt	54.2	47.0	23.4	6.5	2.1
Trade and other payables	16.4	35.3	23.3	25.4	26.4
Other ST liabilities	6.7	1.1	2.8	2.8	2.8
Equity and liabilities	**506.1**	**493.4**	**433.2**	**412.3**	**399.6**
Cash flow statement (EURm)	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Cash flow from operating activities	**18.4**	**20.6**	**19.3**	**13.4**	**13.6**
Net profit	3.0	-20.7	-15.0	-3.5	-5.8
D&A	11.9	11.5	11.3	11.3	11.3
Impairments and remeasurements	-28.7	10.8	25.1	-3.7	-0.5
Change in working capital	-9.6	8.5	-5.8	1.0	0.4
Change in inventories	1.2	0.3	-0.2	0.0	0.0
Change in trade receivables	0.6	-10.6	6.4	-1.0	-0.7
Change in trade payables	-11.5	18.9	-12.0	2.1	1.1
Other	41.9	10.4	3.7	8.3	8.1
Cash flow from investing activities	**-1.0**	**-7.2**	**41.4**	**-1.4**	**-2.8**
Cash receipts from the disposals	-53.1	10.5	69.0	0.6	0.6
Capex on PP&E and investment properties	78.2	-4.3	-27.6	-2.0	-3.4
Other	-26.0	-13.4	0.0	0.0	0.0
Cash flow from financing activities	**-18.9**	**-8.8**	**-44.8**	**-22.0**	**-16.2**
Change of debt	-1.6	9.9	-26.3	-13.4	-2.0
Interest paid	-15.9	-15.9	-15.4	-14.3	-14.2
Other	-1.3	-2.8	-3.1	5.8	0.0
Cash position at the beginning of the period	8.4	6.6	9.8	25.6	15.6
Net change in cash position	-1.8	3.2	15.8	-10.0	-5.4
Cash position at the end of the period	**6.6**	**9.8**	**25.6**	**15.6**	**10.2**

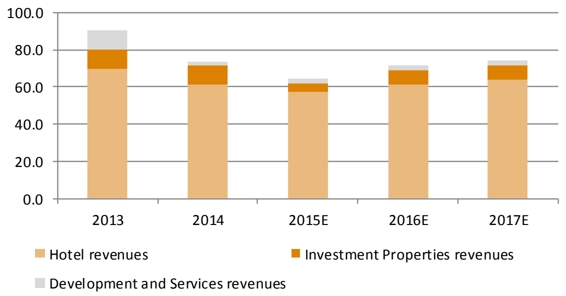
*Source: Company data, Vestor DM estimates, *As of end-2Q15, ** Adjusted for impairments and remeasurements*

Valuation ratios (x)	2013	2014	2015E	2016E	2017E
Number of shares (m)	54.0	54.0	54.0	54.0	54.0
P/BV (x)	0.41	0.52	0.70	0.75	0.84
GAV (EURm)	508.0	498.0	391.4	396.3	396.8
NNNAV (EURm)	169.4	160.10	131.7*	n.a.	n.a.
P/NNNAV (x)	0.22	0.23	0.28	n.a.	n.a.

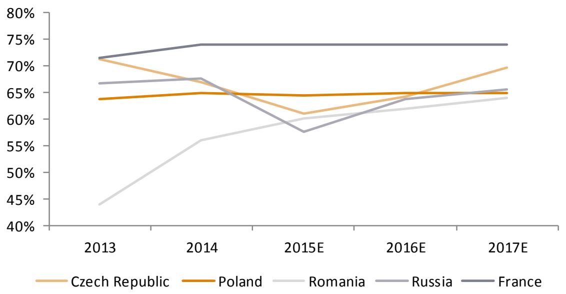
Credit ratios (EURm)	2013	2014	2015E	2016E	2017E
Gross debt	367.5	377.4	351.0	337.6	335.7
Net debt	360.9	367.6	325.4	322.0	325.5
Net debt/Assets (x)	0.71	0.75	0.75	0.78	0.81
Net debt/Equity (x)	4.00	5.10	6.10	6.46	7.38
Interest coverage ratio (x)	1.33	1.26	1.17	1.33	1.41

Main assumptions	2013	2014	2015E	2016E	2017E
Number of rooms	3,220	3,159	2,880	2,880	2,880
Occupancy rate (%)	66.3%	67.0%	63.6%	65.6%	67.4%
Gross margin (%)	27.6%	28.8%	29.0%	29.4%	29.4%
ADR (EUR)	141.2	137.9	140.5	138.9	139.1
NOPPAR (EUR)	39.0	39.8	40.7	40.9	40.9

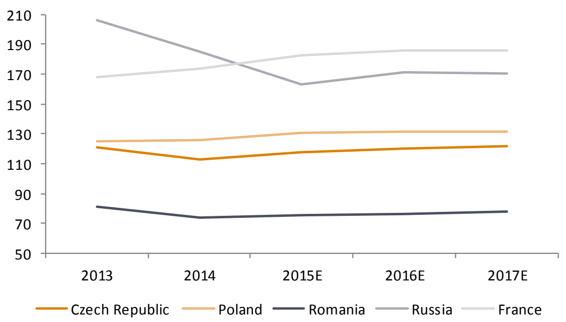
Revenues (EURm)



Occupance rates (%)



Average daily revenues (EUR)



Risk factors

As the major risk factors to our forecasts we point at: (1) Lower occupancy levels and deteriorating ADR in hotel properties, (2) Losing tenants in the office projects, (3) Potential negative remeasurements and impairments of the existing portfolio, (4) Difficulties in refinancing debt, (5) Difficulties and delays in related to disposal of assets.

Investment summary

Warimpex is one of the largest hotel companies, that carries out projects itself as asset manager and property owner. The company was established in 1959 and in 1982 it began specialising in real estate investments (hotels and office projects) in Central and Eastern Europe. As of end-2Q15 the company owned, co-owned or leased 18 hotel with over 4,600 rooms (3,174 proportionate stake) and six office buildings (total NRA of 43,100) located in 8 countries (Czech Republic, Poland, Romania, Russia, Germany, France, Hungary, Austria).

In recent quarters, Warimpex's share price was under strong pressure mainly due to Ukrainian crisis, resulting in lower average daily revenues achieved in Russia (denominated in EUR) and lower occupancy rates (also in Dvorak Hotel in Karlovy Vary, where the share of Russian and Ukrainian guests is very high). As a result in 1H15 the company has reported impairments of EUR 5.8m and loss on remeasurement of investment properties of EUR 15.1m. Given the abovementioned, the NNNAV decreased by 18% to EUR 131.7m (EUR 2.4/share) as of end-2Q15 from EUR 160.1m (EUR 3.0/share) as of end-4Q14.

On the other hand, the company has reported the improvement of its activity in hotels apart from Russia and Karlovy Vary. In 1H15 the average occupancy rate reached 64% (based on proportionate consolidation) in comparison to 62% in 1H14. We also note that the revenues in all countries apart from Russia and Czech Republic (results also affected by the disposal of Savoy Hotel in Jun-14) improved on YoY basis (+25% YoY in Romania, +9% YoY in Poland, +7% YoY in Germany). NOP per available rooms of non-Russian hotels increased by 12% YoY. In our forecasts we expect improvement of occupancy rates (to nearly 66% in 2016E), and increase of NOP especially due to potential recovery in Czech Republic and Russia.

Additionally, we point at the improving balance sheet of the company. As of end-4Q14 the company had net debt of EUR 367.6m, (EUR 69.1m on holding level). We note that in 1Q15 the company has concluded the disposal of Jupiter 1&2 office buildings. The transaction resulted in net cash inflow of EUR 10m, with receivables from purchase price financing of EUR 13.3m to be received by end-2024. Additionally, the disposal of Andel's hotel in Berlin (transaction closed in Sep-2015) would result in net cash inflow of EUR 17m. Currently the company is in the course of disposal of two JV projects in Paris (Dream Castle and Magic Circus, with total 397 rooms attributable to Warimpex). Assuming the transaction price of EUR 100m, the potential net cash inflow might reach EUR 24m, which we do not assume in our forecasts. Based on improving performance of hotel segment and completed disposals, we expect gross debt on holding level to decrease from EUR 78.9m as of end-2014 to EUR 68.4m as of end-2015.

We expect Warimpex to report revenues of EUR 64.5m in 2015E (-13% YoY, mainly due to lower occupancy rates and ADR in Russia and Karlovy Vary) and EUR 71.6m in 2016E (+11% YoY). After deterioration of average occupancy rate from 67.0% in 2014 to 63.6% in 2015E, we believe it should recover to nearly 66% in 2016E. We also point at the improvement of average ADR and gross margin. Excluding Andel's hotel in Berlin sold in Sep-15, we expect increase of ADR by 2.1% YoY in 2015E and by 1.9% YoY in 2016E and NOP per available room by 2.1% and 2.4%, respectively. We forecast EBITDA of EUR 14.4m in 2015E and EUR 16.3m in 2016E (vs. EUR 17.1m in 2014) and net loss of EUR 15.0m in 2015E and EUR 3.5m in 2016E.

We value Warimpex using SOTP valuation (90% weighting) and P/NNNAV peer-comparison valuation (10% weighting). Based on current information given for company's properties, our SOTP-method valuation amounts to EUR 0.77/share. At the same time, we note that the company currently trades with 72% discount to its 2Q15 NNNAV and with 59% discount to European peers. We set the 12M TP for Warimpex at EUR 0.86/share (PLN 3.65/share).

Valuation

We value Warimpex using two valuation methods: SOTP (*sum-of-the-parts*, 90% weighting) and comparable method (based on P/NNNAV multiple, 10% weighting). Using the SOTP method we value Warimpex at EUR 0.77/share, while P/NNNAV comparative method implies EUR 1.69/share. A blended target price amounts to EUR 0.86/share (PLN 3.65/share), implying 25% upside potential.

Figure 2. Warimpex: Valuation summary

	Valuation (EUR/share)	Weighing (%)
SOTP method	0.77	90%
P/NNNAV comparative method	1.69	10%
Weighted target price	**0.86**	
Current price (EUR)	0.69	
Upside/downside potential	*25%*	

Source: Vestor DM estimates

SOTP valuation

As far as SOTP method is concerned, we value each company's asset GAV giver their current results. We base our calculations on the following assumptions:

Figure 3. Warimpex: Valuation of owned hotel projects (as of end-2015E)

Hotel	Rooms (stake adj.)	Occupancy rate (%)	ADR (EUR)	NOI (EURm)	Yield (%)	GAV est. (EURm)
Chopin, Cracow	220	70%	86	1.7	7.25%	23.5
Andel's , Łódź	278	60%	140	3.4	7.00%	48.3
Angelo , Katowice	102	60%	108	1.0	7.50%	12.8
Amber Baltic, Międzyzdroje	191	60%	108	1.4	10.00%	13.6
Angelo, Prague	168	70%	114	1.7	7.25%	23.5
Diplomat, Prague	398	70%	114	4.6	7.25%	63.7
Dvorak, Karlovy Vary	126	65%	169	1.0	8.00%	12.6
Angelo, Plzen	72	65%	72	0.2	7.75%	3.2
Angelo Airporthotel, Ekaterinburg	126	65%	150	1.1	10.00%	11.2
Liner, Ekaterinburg	97	65%	141	1.0	10.00%	9.8
Crowne Plaza, St. Petersburg	162	70%	183	1.9	10.00%	18.9
Angelo Airporthotel, Bucharest	177	60%	75	0.9	8.00%	10.9
Dream Castle, Paris	199	75%	183	2.0	6.75%	29.5
Magic Circus, Paris	198	75%	183	1.8	6.75%	26.4
Total						**307.8**

Source: Company data, Vestor DM

Figure 4. Warimpex: Valuation of investment properties (as of end-2015E)

Office	Country	NRA (sqm)	Stake (%)	Rental rate EUR/sqm	Occupancy rate (%)	NOI (EURm)	Yield (%)	GAV est. (EURm)
Parkur Tower	Poland	9,700	50%	14.3	90%	0.6	8.0%	7.5
Erzsebet 1	Hungary	7,500	100%	12.3	90%	0.8	8.5%	9.2
Dioszegi	Hungary	800	100%	11.0	100%	0.1	10.0%	1.0
Sajka	Hungary	600	100%	11.0	100%	0.1	10.0%	0.7
Airport City (Zeppelin)	Russia	16,500	55%	29.0	100%	1.6	8.5%	26.0
Erzsebet 2	Hungary	8,000	100%	9.0	90%	0.3	8.5%	8.0
Total								**52.4**

Source: Company data, Vestor DM

Figure 5. Warimpex: Valuation of development projects (as of end-2015E)

Project	Country	NRA (sqm)	Stake (%)	GAV (EURm)
Airportcity, St. Petersburg	Russia	60,000	55%	7.3
Retail & Conference Center, Berlin	Germany	18,000	50%	3.6
Mogilska Office, Cracow	Poland	20,000	100%	7.5
Chopin Office, Cracow	Poland	20,000	100%	5.0
Landplot, Budapest	Hungary	n.a.	100%	3.8
Landplot, Bialystok	Poland	n.a.	100%	2.4
Ogrodowa Office, Łódź	Poland	29,000	100%	1.7
Total				**31.2**

Source: Company data, Vestor DM

Figure 6. Warimpex: SOTP valuation summary

Hotel properties	307.8
Investment properties	52.4
Development projects	31.2
GAV (EURm, end-2015E)	**391.4**
Net debt (EURm, end-2015E)*	357.5
SOTP (EURm, end-2015E)	33.9
Number of shares (m)	54.0
SOTP/share (EUR)	**0.63**
12M TP (EUR)	**0.77**
12M TP (PLN)	**3.22**

*Source: Company data, Vestor DM, *including JV projects*

Peer comparison (P/NNNAV)

For the valuation purpose, we compare Warimpex to the companies operating on similar geographical markets, i.e. Immofinanz, Atrium European, CA Immobilien, GTC, Echo Investment. The average P/NNNAV ratio for the peer group implies the market capitalization of Warimpex at EUR 91.5m. Due to high leverage of Warimpex, we set 10% weighting to the peer comparison method.

Figure 7. Warimpex: P/NNNAV valuation

Company	Price (EUR)	#shares (m)	mCap (EUR)	BV (EURm)	2Q15 NNNAV* (EURm)	P/NNNAV** (x)
Immofinanz	2.00	1,073	2,150	3,736	3,986	0.54
Atrium European	3.82	376	1,436	2,086	2,066	0.69
CA Immo	16.15	99	1,595	1,952	2,007	0.79
GTC	1.45	351	511	461	n.a.	1.11
Echo Investment	1.54	413	636	748	n.a.	0.85
Median						**0.69**
Warimpex	0.69	54	37	52.5	131.7	0.28
Discount/Premium						-59%
Implied WXF mCap (EURm)						91.5
Implied WXF price/share (EUR)						**1.69**
Implied WXF price/share (PLN)						**7.18**

*Source: Company data, Vestor DM, *NNNAV reported as of end-2Q15, **P/BV for GTC and Echo Investment*

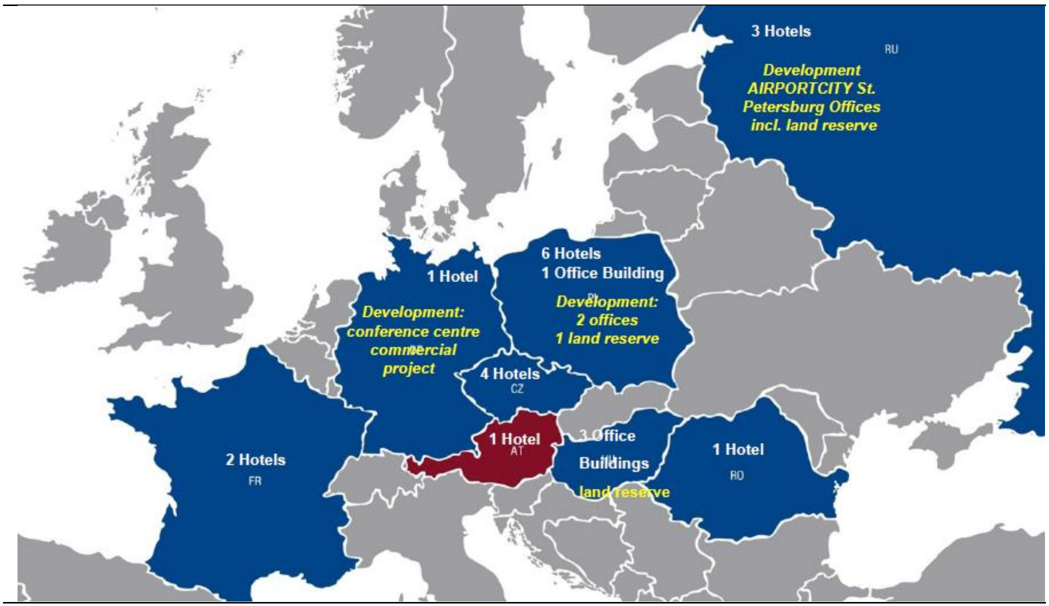
Company description

Warimpex is one of the largest hotel companies that carries out projects itself as asset manager and property owner. The company was established in 1959 and in 1982 it began specialising in real estate investments (hotels and office projects) in Central and Eastern Europe. In the following years the company has participated in some landmark projects like Sheraton, Sobieski and Intercontinental hotels in Warsaw. Company's business model covers the entire value creation chain of the real estate project: beginning with development or acquisition, followed by asset management and finally the disposal of project.

As of end-2Q15 the company owned, co-owned or leased 18 hotel with over 4,600 rooms (3,174 proportionate stake adjusted) and six office buildings (with total NRA of 43,100) located in 8 countries (Czech Republic, Poland, Romania, Russia, Germany, France, Hungary, Austria).

The company operates in the following segments: Hotels, Investment Properties and Development & Services. In 2014 Hotels segment generated over 83% of total revenues. Investment Properties segment including rental income from office projects was responsible for over 13% of 2014 revenues. Development & Services (services in the area of development and profit from the disposal of real estate projects) generated ca. 3% of revenues, however we note that this segment is highly dependent on asset disposals, thus is subject to significant fluctuations in YoY terms.

Figure 8. Warimpex: Number of hotel rooms by countries (as of end-2Q15)



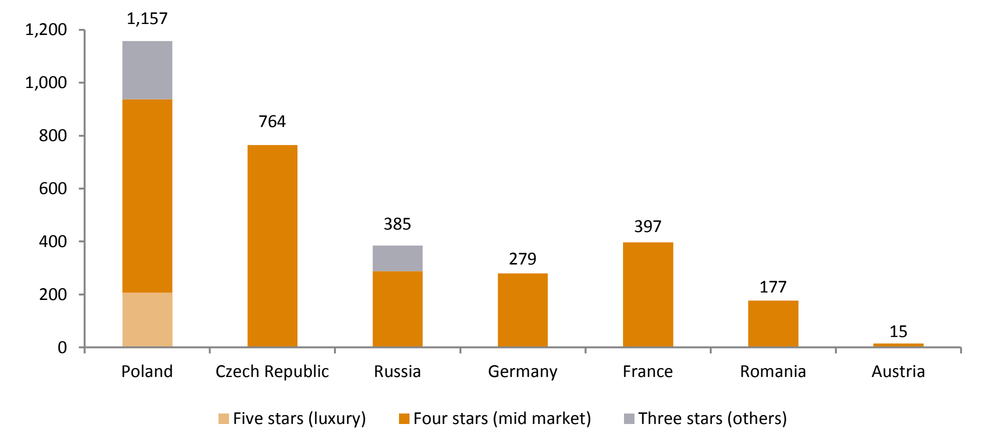
Source: Company data, Vestor DM

Hotel segment

Hotel segment generates majority of Warimpex revenues (over 83% in FY14). The company's current portfolio consists of 17 hotels located in 6 countries (Poland, Czech Republic, Russia, France, Romania and Austria). The number of rooms operated by Warimpex amounts to over 4,000 units (or 2,895 if ownership stake adjusted). We remind that in Sep-15 the company has disposed of Andel's hotel in Berlin (557 rooms, with 50% stake of Warimpex).

We note that five projects (Intercontinental in Warsaw, Angelo in Katowice, Angelo in Plzen and Dream Castle and Magic Circus in Paris) are operated by joint ventures, while three other ones (Chopin Hotel in Cracow, Andel's in Łódź and Dvorak in Karlovy Vary) are subject of financing lease. Due to IFRS 11 joint venture projects are to be accounted for using equity method.

Figure 9. Warimpex: Number of hotel rooms by countries (as of end-2Q15)



*Source: Company data, Vestor DM, *The company has sold Andel's project in Berlin in Sep-2015.*

Figure 10. Warimpex: Hotel portfolio details (as of end-2Q15)

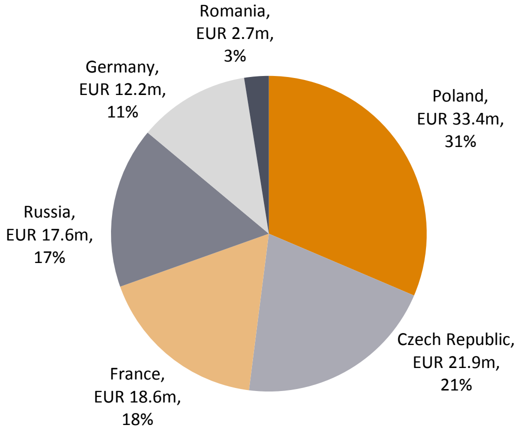
Hotel	City	Country	Standard	WXF's stake	Rooms total
InterContinental	Warsaw	Poland	*****	50.0%	404
Chopin	Cracow	Poland	***	100.0%	220
Andel's	Cracow	Poland	****	100.0%	159
Andel's	Łódź	Poland	****	100.0%	278
Angelo	Katowice	Poland	****	50.0%	203
Amber Baltic	Międzyzdroje	Poland	****	100.0%	191
Angelo	Prague	Czech Republic	****	100.0%	168
Diplomat	Prague	Czech Republic	****	100.0%	398
Dvorak	Karlovy Vary	Czech Republic	****	100.0%	126
Angelo	Plzen	Czech Republic	****	50.0%	144
Angelo Airpothotel	Ekaterinburg	Russia	****	60.0%	211
Liner	Ekaterinburg	Russia	***	60.0%	151
Crowne Plaza	St. Petersburg	Russia	****	55.0%	294
Angelo Airpothotel	Bucharest	Romania	****	100.0%	177
Andel's*	Berlin	Germany	****	50.0%	557
Dream Castle	Paris	France	****	50.0%	397
Magic Circus	Paris	France	****	50.0%	396
Palais Hansen Kempinski	Vienna	Austria	*****	9.9%	152

*Source: Company data, Vestor DM, * Project disposed of in September 2015*

In 2014 revenues from hotel segment amounted to EUR 61.6m (-11% YoY) or EUR 106.3m in proportionate consolidation (-5% YoY). As the company operates 6 hotels in Poland, this market generated ca. 31% of total 2014 revenues. The remaining was generated by Czech Republic (21%), France (18%), Russia (17%), Germany (11%) and Romania (3%).

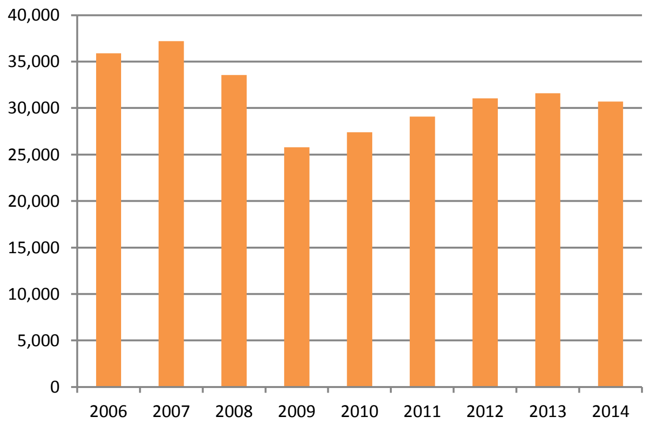
After the crisis year of 2009 the hotel segment revenues of Warimpex decreased by 8% YoY in 2009. Since then, the revenue per available room increased steadily by 4% annually (2009-14 CAGR). Although 2014 results were negatively affected by Ukrainian crisis (decrease of average daily revenue in Russian hotel and deterioration of occupancy rates in Czech Republic ones), the RevPAR decreased only by 3% YoY (improvement of revenues in other hotels did not compensate the decline in Russia and Karlovy Vary).

Figure 11. Warimpex: Revenues geographical breakdown in hotel segment in 2014 (including JV projects)



Source: Company data, Vestor DM

Figure 12. Warimpex: Hotel segment – RevPAR (EUR)



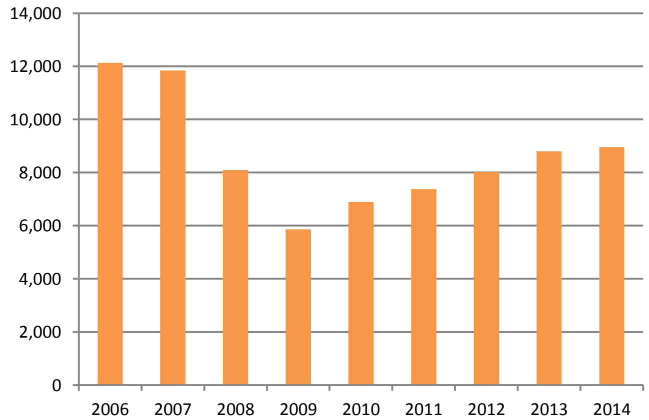
Source: Company data, Vestor DM

At the same time, the company has managed to improve profitability of its hotel activity. In recent quarters the company has successfully completed its strategy regarding withdrawal from the unprofitable luxury hotel segment in Prague. Warimpex has sold its five-star hotels: Palace Hotel and Le Palais in 2013 and Hotel Savoy in June 2014. As a result, net operating profit (NOP) grew at 2009-14 CAGR of 11% (NOP per available room at 9%).

Additionally, the company has managed to improve the occupancy rates in the recent years. In 2014 the average occupancy rate amounted to 68% (vs. 67% in 2013 and 65% in 2012). The highest occupancy rates in 2014 Warimpex has achieved in France and Germany (74% and 72%, respectively), while in Poland, Czech Rep. and Russia it reached respectively 65%, 67% and 68%. In 1Q15 occupancy rates were negatively affected by Ukrainian crisis in Czech Republic (49% in 1Q15, -5pp YoY) and Russia (47%, -18pp YoY).

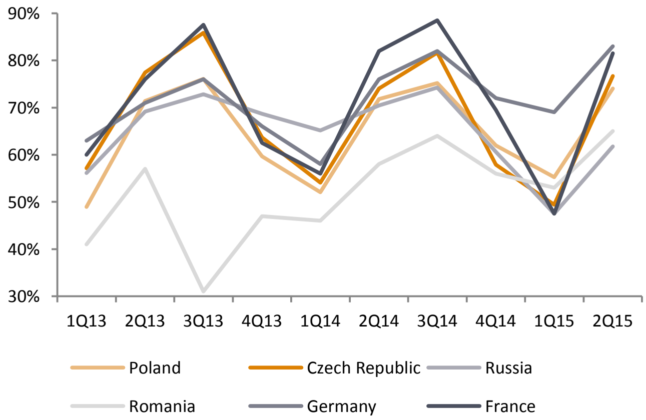
In the coming quarters, the company plans further disposals of hotel assets. In 3Q15 the company has completed the disposal of Andel's Hotel in Berlin (Warimpex had 50% stake in the project) for EUR 105m. As the company informed the transaction should result in profit of ca. EUR 10m and net cash inflow of ca. EUR 17m. The management expects to sell also two hotels in Paris in the coming quarters (Dream Castle with 397 rooms and Magic Circus with 396 room, with 50% stake of Warimpex in each one). However the potential date of disposal still remains unknown.

Figure 13. Warimpex: Net operating profit per available room



Source: Company data, Vestor DM

Figure 14. Warimpex: Hotel segment – occupancy rates (%)



Source: Company data, Vestor DM

Investment properties

Investment properties segment consists of office buildings managed by Warimpex. As of end 2Q15, the company had six completed office projects with total NRA of 43,100 sqm located in Russia, Hungary and Poland. In 2014 Investment Properties segment generated revenues of PLN 9.8m (13% of total revenues).

- **Parkur Tower, Warsaw** – The project offers 9,700sqm of NRA (Warimpex owns 50% stake in the project). As of end-2Q15 the occupancy rate amounted to 90%.
- **Airportcity, St. Petersburg** – Currently it is the major commercial project of Warimpex. In 1H15 the company has completed Zeppelin office building with NRA of 16,500sqm (project fully leased to Gazprom). Additionally, the company owns landplots allowing for construction of two another phases with NRA of up to 170,000sqm and car park with ca. 560 car parking spaces (19,500sqm leasable area). We note that Warimpex has sold Jupiter 1&2 project in February 2015.

Figure 15. Warimpex: Airportcity in St. Petersburg

Source: Company data, Vestor DM

Figure 16. Warimpex: Development pipeline of Airportcity in St. Petersburg

Source: Company data, Vestor DM

- **Erzsebet, Budapest** – The project consists of two office buildings offering NRA of nearly 13,500sqm. As of end-2Q15 the occupancy rate of the first buildings amounted to 79% (with Groupama as major tenant), while occupancy rate in the second one amounted to ca. 90%.

In 2014 Investment Properties segment generated revenues of EUR 9.8m (-9% YoY) and was mainly related to loss of revenues from fit-outs in leased Jupiter office project. At the same time, EBITDA reached EUR 6.0m (+43% YoY), implying EBITDA margin of 57% (vs. 36% in FY13). We note that Warimpex's results from Investment Property segment are to be affected by the disposal of Jupiter 1&2 in Feb-15, and completion of construction of Zeppelin and Erzsebet 2 projects. We expect these two projects to generate revenues of EUR 2.7m in FY15E and EUR 6.6m in FY16E.

Figure 17. Warimpex: Office projects completed and planned

	City	Country	NRA (sqm)	WXF's stake (%)	Occupancy rate (%)
Completed projects					
Parkur Tower	Warsaw	Poland	9,700	50%	90%
Erzsebet Office 1	Budapest	Hungary	7,500	100%	79%
Erzsebet Office 2	Budapest	Hungary	8,000	100%	90%
Dioszegi Office	Budapest	Hungary	800	100%	100%
Sajka Office	Budapest	Hungary	600	100%	100%
Zeppelin	St. Petersburg	Russia	16,500	55%	100%
Pipeline					
Airport Car Park	St. Petersburg	Russia	20,000	55%	-
Retail & Conference Center	Berlin	Germany	18,000	50%	-
Mogilska Office	Cracow	Poland	20,000	100%	-
Chopin Office	Cracow	Poland	20,000	100%	-
Airportcity phase III	St. Petersburg	Russia	40,000	55%	-

Source: Company data, Vestor DM

Development and Services

Development and Services segment is related to services in the area of development as well as disposals of properties. We note that results of this segment are strongly related to the sale of real estate properties, thus are subject to fluctuations in YoY terms. In 2013 Development & Services segment was positively affected by the disposal of hotel in Munich, while in 2014 Warimpex disposed of hotel Savoy in Prague. In 2015 the company has completed the transactions of sale of Jupiter 1&2 office buildings and hotel Andel's in Berlin. Additionally the company has completed the construction of Zeppelin office project in St. Petersburg and Erzsebet 2 in Budapest in 2Q15. In our forecasts we assume capex for construction of Zeppelin and Erzsebet 2 projects of EUR 17.3m and EUR 4.0m in 2015, respectively.

During the recent conference call after 2Q15 results, the company has informed, that in the coming quarters it might potentially start the development of four projects: office project in Łódź (NRA of 29k sqm), Mogilska Office in Cracow (NRA of 20k sqm), Chopin Office in Cracow (NRA of 20k sqm) and Conference Center in Berlin (NRA of 18k sqm). As the company has not informed about any details related to schedule of these developments, we do not assume any developments in our forecasts as of the moment.

As far as assets disposals are concerned, in the coming quarters the company might potentially dispose of its two hotels in Paris (Dream Castle with 397 rooms and Magic Circus with 396 rooms). The company has 50% stake in both projects. We note that as of end-4Q14 the value of net investment at equity in both projects amounted to EUR 8.0m, while outstanding debt amounted to ca. EUR 26m. Assuming the value of these two projects at ca. EUR 100m (EUR 50m attributable to Warimpex), the potential disposal would result in profit of ca. EUR 16m and net cash inflow of ca. EUR 24m.

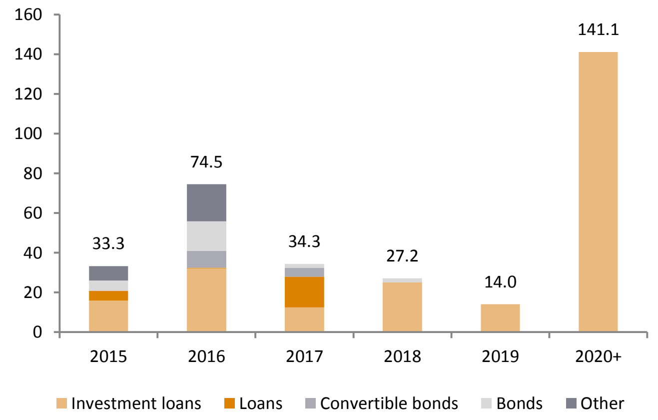
Company's balance sheet

As of end-2Q15 total assets of Warimpex amounted to EUR 493m and mainly consisted of PP&E (EUR 249m, 50% of total assets), investment property (EUR 88m, 18%), assets held for sale (EUR 65m, 13%) and net investment in JV projects (EUR 36m, 7%). Under Property, Plant & Equipment the company presents mainly assets related to hotel activity. According to IAS 16, Warimpex recognises its PP&E assets at amortised cost. Investment properties stand for office projects and land for development of new projects. Investment properties are accounted at their fair value (changes in FV are recognized as gain/loss on remeasurement). As of end-4Q14 assets held for sale included Jupiter 1&2 project (term sheet signed in February 2014).

The liabilities amounted to EUR 436m as of end-4Q14 (with EUR 352m related to long-term liabilities as company's properties are usually financed with long-term project loans,). As of end-4Q14 gross debt amounted to EUR 377m with ca. 64% (EUR 243m) related to project loans, held by SPVs and secured by long-term mortgages. At the holding level EUR 32m was related to bonds and EUR 47m to loans.

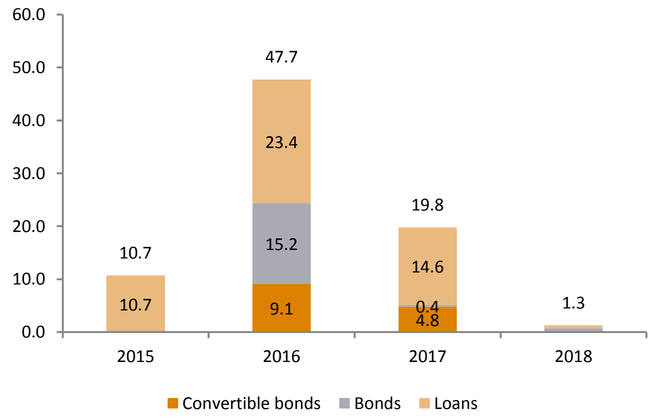
Given the cash position of EUR 10m as of end-4Q14, net debt amounted to EUR 368m, implying ND/Assets ratio of 0.75x. However, we remind that Warimpex PP&E are recognized at amortized cost, thus these ratios are not fully comparable to other real estate companies. Assuming remeasurement of PP&E assets to their fair value (GAV of EUR 498m, based on valuation of external appraisers, such as CBRE, PwC, Knight Frank and others), ND/GAV and ND/NNNAV would amount to 0.74x and 2.30x, respectively. At the holding level as of end-2Q15 the company had EUR 10.7 loans to be repaid in 2015E and EUR 9.1m convertible bonds, EUR 15.2m bonds and EUR 23.4m loans to be repaid in 2016E.

Figure 18. Warimpex: Debt maturity schedule (as of end-4Q14)



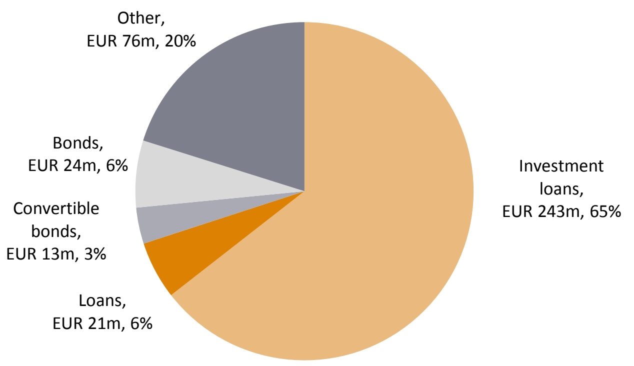
Source: Company data, Vestor DM

Figure 19. Warimpex: Holding debt maturity schedule (as of end-2Q15)



Source: Company data, Vestor DM

Figure 20. Warimpex: Debt structure (as of end-4Q15)



Source: Company data, Vestor DM

Figure 21. Warimpex: Bonds maturity table

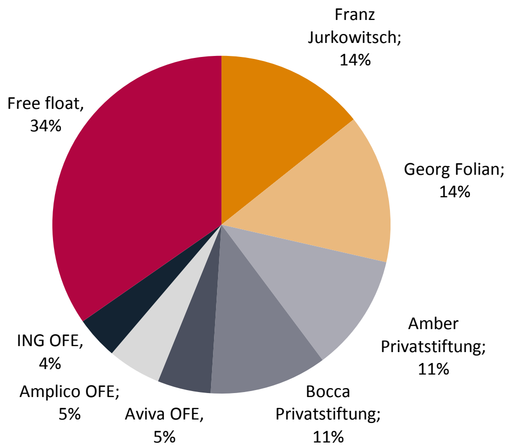
Bonds	Value outstanding (end-2Q15, EURm)	Issue date	Maturity date	Coupon	Conv. Price
Convertible bond 04/2013 – 03/2016	5.9	2013-03-29	2016-03-31	4.875%	PLN 7.06
Convertible bond 10/2013 – 10/2016	3.2	2013-10-29	2016-10-29	3.900%	PLN 7.65
Convertible bond 06/2014 – 06/2017	4.8	2014-06-30	2017-06-30	4.000%	EUR 1.80
Bond 03/2013 – 03/2016	15.2	2013-03-04	2016-03-31	6MWIBOR+7.0%	n.a.
Bond 10/2013 – 10/2017	0.4	2013-12-06	2017-10-29	6MWIBOR+6.4%	n.a.
Bond 02/2014 – 02/2018	0.7	2014-02-24	2018-02-24	6MWIBOR+6.0%	n.a.

Source: Company data, Vestor DM

In recent quarters, the company has generated stable operating cash flow by operating hotels and leasing office areas. In 2014 cash flow from operating activities amounted to EUR 20.5m (+11% YoY). At the same time cash flow from investing activity was at negative territory of EUR 7.2m in 2014 (vs. EUR -1.0m in 2013) and resulted from the investments in investment properties (Zeppelin in St. Petersburg and Erzsebet 2 in Budapest). We assume capex on completion of Zeppelin and Erzsebet of EUR 21.3m in 2015E and net cash inflow of EUR 17m from the disposal of Andel’s Hotel in Berlin.

Shareholder structure

Figure 22. Warimpex: Shareholder structure



Amber Privatstiftung – Franz Jurkowitsch is a supporter of the foundation
Bocca Privatstiftung – Georg Folian is a supporter of the foundation
Source: Company data, Vestor DM

2Q15 results review

- In 2Q15 the company reported revenues at EUR 17.0m (-20% YoY). Hotel segment generated revenues of EUR 15.7m (-14% YoY). We note that the deterioration of hotel revenues resulted from the disposal of Hotel Savoy in Prague in June 2014 (the number of available room decreased by 2% or 61 rooms). Additionally, hotel segment was negatively affected by Ukrainian crisis (Russian hotels and Dvorak Hotel in Karlove Vary, where the share of Russian and Ukrainian guests is very high). Revenues from Investment Properties amounted to EUR 0.3m vs. EUR 2.6m in 2Q14 (deterioration due to the disposal of Jupiter 1&2 office buildings).
- Net operating profit per available room amounted to EUR 4,122 (-8% YoY).
- Gross margin amounted to 43% (+2.5pp YoY). The profitability in hotel segment remain relatively stable (40.7% in 2Q15 vs. 40.2% in 2Q14), while profitability of Investment Properties segment decreased by 4.3pp YoY to 50.9%.
- EBITDA amounted to EUR 4.3m (-26% YoY, due to decrease of revenues and higher by 17% YoY administrative costs).
- Scheduled depreciation and amortization amounted to EUR 2.5m (vs. EUR 3.0m in 2Q14). 2Q15 results were negatively affected by the impairments of EUR 5.8m (EUR 0.4m in 2Q14), resulting mainly from weaker performance of Russian hotels. Additionally, remeasurement of investment properties reached negative EUR 15.1m (EUR -3.0m in 2Q14).
- The company reported operating loss of EUR 18.6m vs. operating loss of EUR 0.6m in 2Q14. We note that EBIT ex. impairments, remeasurements and gains from disposals amounted to EUR 2.3m (-15% YoY).
- On the bottom line the company reported net loss of EUR 9.5m, in comparison to net loss of EUR 1.8m in 2Q14.
- Operating cash flow amounted to EUR 4.6m (vs. EUR 6.7 in 2Q14).
- As of end-2Q15 company's net debt position amounted to EUR 360m (+6% QoQ).
- NNNAV decreased to EUR 2.4/share as of end-2Q15 from EUR 3.0/share as of end-4Q14, mainly due to remeasurements and impairments of Russian assets.

Figure 23. Warimpex: 2Q15 results

	1Q14	2Q14	1Q15	2Q15	YoY, %
Revenues	**15.5**	**21.2**	**11.0**	**17.0**	***-20%***
Hotel revenues	12.7	18.2	10.1	15.7	*-14%*
Investment Properties revenues	2.3	2.6	0.4	0.3	*-87%*
Development and Services revenues	0.4	0.4	0.5	0.9	*116%*
Expenses	-11.5	-12.6	-8.5	-9.7	*-23%*
Gross income from revenues	**3.9**	**8.6**	**2.4**	**7.3**	***-15%***
Result from disposal of properties	0.0	0.0	-1.4	0.0	*n.m.*
Administrative costs	-1.5	-2.2	-1.9	-2.5	*17%*
Other operating income	0.2	0.2	3.1	0.2	*-13%*
Other operating costs	-0.7	-1.0	-0.6	-0.7	*-31%*
EBITDA	**1.9**	**5.7**	**1.6**	**4.3**	***-26%***
Depreciation, amortization and remeasurement	-2.7	-6.3	-2.2	-22.9	*n.m.*
EBIT	**-0.8**	**-0.6**	**-0.5**	**-18.6**	***n.m.***
Finance income	1.3	0.2	1.1	0.4	*91%*
Finance expenses	-5.2	-6.0	-6.0	-5.9	*n.m.*
Exchange rate changes	-3.1	2.2	1.1	3.4	*50%*
Result from JV after tax	-1.0	0.8	-0.2	2.6	*237%*
Pre-tax profit	-8.8	-3.3	-4.4	-18.2	*n.m.*
Income tax	-0.4	1.7	-0.9	-1.4	*n.m.*
Minorities	-2.7	0.2	1.0	-10.0	*n.m.*
Net income	**-6.6**	**-1.8**	**-6.3**	**-9.5**	***n.m.***

Source: Company data, Vestor DM

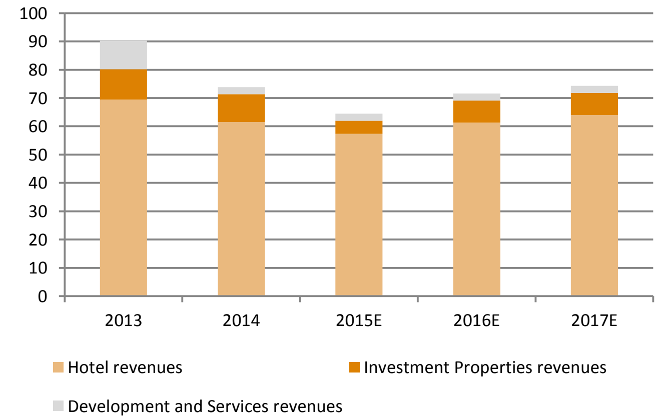
Financial forecasts

Revenues

We forecast revenues of EUR 64.5m (-13% YoY). We expect revenues in hotel segment at EUR 57.3m in 2015E (-7% YoY) and EUR 61.3m in 2016E (+7% YoY). First of all, we point at the disposal of Hotel Savoy in Prague in June-14 (the disposal of Angel's hotel in Berlin would not affect reported revenues as the JV project was consolidated at equity method). Additionally, we point at the lower occupancy rates and lower ADR in Russia and Karlovy Vary in Czech Republic, due to Ukrainian crisis. In our forecasts, we assume decrease of average occupancy rates by 10pp YoY to 58% in Russia and by 6pp YoY to 61% in Czech Republic. Additionally, due to RUB/EUR devaluation we expect the average daily revenue (ADR) to decrease by ca. 11% YoY in Russia, while ADR in other countries should slightly improve YoY. In 2016E we expect recovery of occupancy rates in Russian hotels to 64% on average.

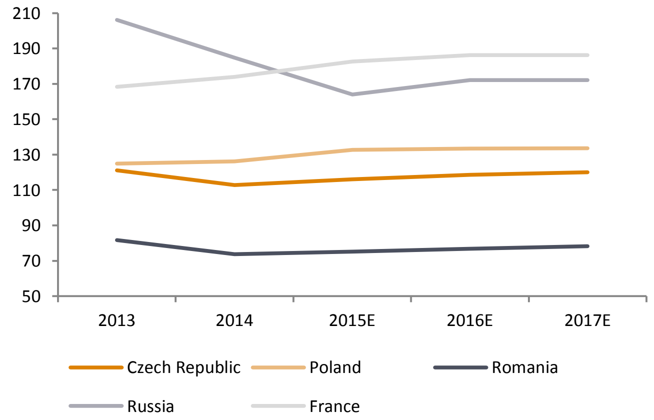
As far as Investment Properties segment is concerned, we forecast EUR 4.7m in 2015E (-52% YoY) and EUR 7.8m in 2016E (+66% YoY). On one hand, we point at the disposal of Jupiter 1&2 office buildings in Feb-2015 (we estimate the revenue from this project at ca. EUR 8m in FY14), while on the other hand we point at the completion of development of Zeppelin and Erzsebet 2 in 1H15 (we estimate annual revenues from these projects at EUR 5.7m and EUR 0.9m, respectively).

Figure 24. Warimpex: Revenues forecast by segments (EURm)



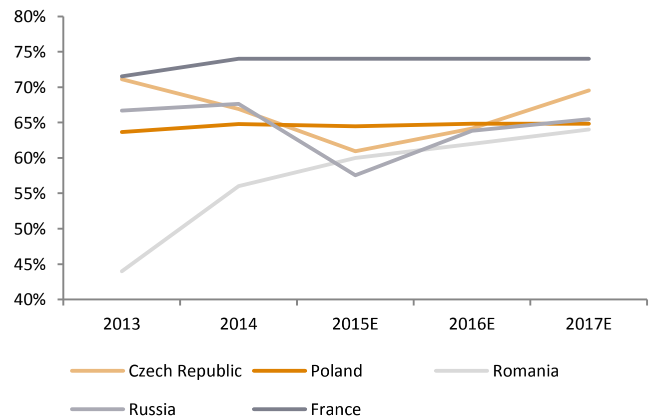
Source: Company data, Vestor DM

Figure 25. Warimpex: Average daily revenue in hotel segment (EUR)



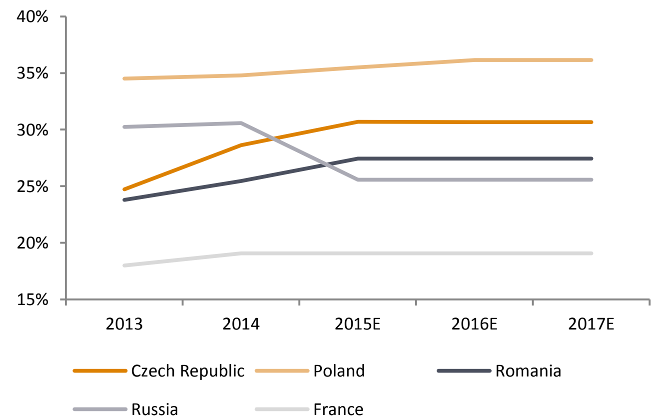
Source: Company data, Vestor DM

Figure 26. Warimpex: Occupancy rates assumptions (%)



Source: Company data, Vestor DM

Figure 27. Warimpex: Gross margin assumptions (%)



Source: Company data, Vestor DM

Operating profit

We expect gross margin of 36.2% in 2015E (-2.1pp YoY) and 37.5% in 2016E (+1.3pp YoY). We expect lower profitability of Russian hotels at 26% in 2015E (-5pp YoY) to be compensated partially by improvement of profitability in Czech Republic and Poland (+2pp YoY, +1pp YoY, respectively). At the same time we forecast deterioration of gross margin in Investment Property segment (negative impact of EUR/RUB) to 69.6% (from 72.6% in 2014). We expect gross income from revenues at EUR 23.4m in 2015E (-18% YoY) and EUR 26.8m in 2016E (+15% YoY).

We forecast EBITDA of EUR 14.4m in 2015E (-16% YoY) and EUR 16.3m in 2016E (+13% YoY). We note that 2015E EBITDA will be negatively affected by result from the disposal of property of EUR 1.4m (related to transaction costs, as the company has disposed of its project at the market value) and other operating costs of EUR 2.8m in 2015E and EUR 2.4m in 2016E (costs related to property costs, property lease, advertising etc.). In our forecasts we assume other operating income of EUR 3.3m in 2015E, that the company has reported in 1H15 (foreign exchange translation gains from operations).

We expect impairments of negative EUR 9.0m in 2015E (EUR 5.8m in 1H15) and loss on remeasurement of investment property of EUR 16.1m (EUR 15.1m reported in 1H15), related mainly to Russian assets. Given the abovementioned we forecast operating loss of EUR 22.0m in 2015E and operating profit of EUR 8.8m in 2016E (EBIT adj. for impairments and remeasurements of EUR 3.1m and EUR 5.0m, respectively).

Net profit

Due to the disposal of Hotel Andel's in Berlin, we expect result from JV of EUR 11m in 2015E. Additionally, we expect the disposals of Hotel Andel's in Berlin and Jupiter 1&2 Office project in St. Petersburg should result in decrease of gross debt position EUR 377.4m as of end-4Q14 to EUR 351.0m as of end-4Q15E. We also remind that in Jun-2015, the company has signed sale and lease-back agreement for Andel's Hotel in Łódź, what should reduce financing costs of the hotel. As a result we expect finance expenses of EUR 19.7m in 2015E and EUR 18.6m in 2016E (in comparison to EUR 23.0m in 2014). We note that in our forecasts we assume refinancing of investment loans and other loans. On the bottom line, we forecast net loss of EUR 15.0m in 2015E and EUR 3.5m in 2016E.

Appendix: Forecasts and assumptions

Figure 28. Warimpex: P&L

	2013	2014	2015E	2016E	2017E
Revenues	**90.2**	**73.8**	**64.5**	**71.6**	**74.3**
Hotel revenues	69.4	61.6	57.3	61.3	64.0
Investment Properties revenues	10.7	9.8	4.7	7.8	7.8
Development and Services revenues	10.0	2.5	2.5	2.5	2.5
Gross income from revenues	**29.8**	**28.3**	**23.4**	**26.8**	**27.6**
Result from disposal of properties	2.0	0.0	-1.4	0.0	0.0
Administrative costs	-9.9	-8.2	-8.1	-8.1	-8.2
Other operating costs, net	-3.1	-2.9	0.5	-2.4	-2.2
EBITDA	**18.8**	**17.1**	**14.4**	**16.3**	**17.3**
Depreciation, amortization and remeasurements	16.8	-22.3	-36.4	-7.6	-10.8
Scheduled D&A	-11.9	-11.5	-11.3	-11.3	-11.3
Impairments and remeasurements	28.7	-10.8	-25.1	3.7	0.5
EBIT	**35.6**	**-5.2**	**-22.0**	**8.8**	**6.5**
EBIT adj.	7.0	5.6	3.1	5.0	6.0
Finance income	1.0	4.2	1.7	0.4	0.2
Finance expenses	-23.2	-23.0	-19.7	-18.6	-18.5
Exchange rate changes	-3.7	-14.4	4.5	0.0	0.0
Result from JV after tax	2.2	1.5	11.4	1.5	1.5
Pre-tax profit	**12.1**	**-36.8**	**-24.0**	**-8.0**	**-10.3**
Income tax	-5.0	1.4	0.0	0.0	0.0
Minorities	4.1	-14.7	-9.0	-4.5	-4.5
Net income	**3.0**	**-20.7**	**-15.0**	**-3.5**	**-5.8**

Source: Company data, Vestor DM

Figure 29. Warimpex: Balance sheet

	2013	2014	2015E	2016E	2017E
Fixed assets	**403.8**	**389.2**	**379.1**	**373.0**	**364.9**
PP&E	281.8	249.1	233.5	228.0	220.6
Investment properties	73.1	87.8	94.6	94.6	94.6
Goodwill and intangible assets	1.0	1.0	1.0	1.0	1.0
Net investment in JV (at equity)	36.8	36.2	28.2	28.2	28.2
Other fixed assets	11.2	15.2	21.8	21.2	20.6
Current assets	**102.2**	**104.2**	**54.1**	**39.4**	**34.7**
Inventories	1.0	0.8	1.0	1.0	1.0
Trade receivables	10.5	21.1	14.7	15.7	16.4
Cash and cash equivalents	6.5	9.8	25.6	15.6	10.2
Other current assets	84.2	72.5	12.8	7.1	7.1
Total assets	**506.1**	**493.4**	**433.2**	**412.3**	**399.6**
Equity	**90.2**	**72.1**	**53.4**	**49.9**	**44.1**
Minorities	-1.4	-14.5	-23.5	-28.0	-32.5
Long-term liabilities	**340.1**	**352.4**	**353.9**	**355.8**	**356.7**
LT debt	313.2	330.4	327.6	331.1	333.6
Other LT liabilities	26.8	22.1	26.3	24.7	23.1
Short-term liabilities	**77.3**	**83.3**	**49.5**	**34.6**	**31.3**
ST debt	54.2	47.0	23.4	6.5	2.1
Trade and other payables	16.4	35.3	23.3	25.4	26.4
Other ST liabilities	6.7	1.1	2.8	2.8	2.8
Equity and liabilities	**506.1**	**493.4**	**433.2**	**412.3**	**399.6**

Source: Company data, Vestor DM

Figure 30. Warimpex: Cash flow statement

	2013	2014	2015E	2016E	2017E
Cash flow from operating activities	**18.4**	**20.6**	**19.3**	**13.4**	**13.6**
Net profit	3.0	-20.7	-15.0	-3.5	-5.8
D&A	11.9	11.5	11.3	11.3	11.3
Impairments and remeasurements	-28.7	10.8	25.1	-3.7	-0.5
Change in working capital	-9.6	8.5	-5.8	1.0	0.4
Change in inventories	1.2	0.3	-0.2	0.0	0.0
Change in trade receivables	0.6	-10.6	6.4	-1.0	-0.7
Change in trade payables	-11.5	18.9	-12.0	2.1	1.1
Other	41.9	10.4	3.7	8.3	8.1
Cash flow from investing activities	**-1.0**	**-7.2**	**41.4**	**-1.4**	**-2.8**
Cash receipts from the disposals	-53.1	10.5	69.0	0.6	0.6
Capex on PP&E and investment properties	78.2	-4.3	-27.6	-2.0	-3.4
Other	-26.0	-13.4	0.0	0.0	0.0
Cash flow from financing activities	**-18.9**	**-8.8**	**-44.8**	**-22.0**	**-16.2**
Change of debt	-1.6	9.9	-26.3	-13.4	-2.0
Interest paid	-15.9	-15.9	-15.4	-14.3	-14.2
Other	-1.3	-2.8	-3.1	5.8	0.0
Cash position at the beginning of the period	8.4	6.6	9.8	25.6	15.6
Net change in cash position	-1.8	3.2	15.8	-10.0	-5.4
Cash position at the end of the period	**6.6**	**9.8**	**25.6**	**15.6**	**10.2**

Source: Company data, Vestor DM

Figure 31. Warimpex: Hotel segment assumptions

	2013	2014	2015E	2016E	2017E
Occupancy rates (%)					
Czech Republic	71%	67%	61%	64%	70%
Poland	64%	65%	64%	65%	65%
Romania	44%	56%	60%	62%	64%
Russia	67%	68%	58%	64%	65%
France	72%	74%	74%	74%	74%
ADR (EUR)					
Czech Republic	121.2	112.9	117.7	120.3	121.9
Poland	125.0	126.2	130.6	131.2	131.4
Romania	81.6	73.7	75.2	76.7	78.3
Russia	206.2	184.7	163.4	171.0	170.6
France	168.4	173.9	182.6	186.2	186.2
Gross margin (%)					
Czech Republic	25%	29%	31%	31%	31%
Poland	35%	35%	36%	36%	36%
Romania	24%	25%	27%	27%	27%
Russia	30%	31%	26%	26%	26%
France	18%	19%	19%	19%	19%

Source: Company data, Vestor DM

DISCLAIMER

This report has been prepared by Vestor Dom Maklerski S.A. (“Vestor”), with its registered office in Warsaw, ul. Mokotowska 1, 00-640 Warsaw, registered by the District Court for the capital city Warsaw, XII Commercial Division of the National Court Register under the number KRS 0000277384, Taxpayer Identification No. 1080003081, with share capital amounting to PLN 1 811 570 fully paid up, entity that is subject to the regulations of the Act on Trading in Financial Instruments dated July 29th 2005 (Journal of Laws of 2014, item 94 - consolidated text, further amended), Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies dated July 29th 2005 (Journal of Laws of 2013, item 1382 nsolidated text, further amended), Act on Capital Market Supervision dated July 29th 2005 (Journal of Laws of 2005, No. 183 item 1537 further amended).

Vestor is subject to the supervision of the Polish Financial Supervisory Authority (“PFSA”) and this document has been prepared within the legal scope of the activity of Vestor.

THIS REPORT WAS PREPARED BY VESTOR UNDER EQUITY RESERACH PARTNER AGREEMENT AT THE ISSUER’S REQUEST. VESTOR HAS RECEIVED AND WILL RECEIVE REMUNERATION FOR PREPARING THIS REPORT.

INFORMATION INCLUDED IN THIS DOCUMENT REGARDING FACTS CONSTITUING DESCRIPTIVE PART OF THE ISSUER’S ACTIVITY HAS BEEN AUTHORISED AND APPROVED BY THE COMPANY BEFORE ITS PUBLICATION. OTHER INFORMATION INCLUDED HEREIN, IN PARTICULAR INFORMATION REGARDING PRESENTED VALUATIONS AND FORECASTS OF THE COMPANY’S FINANCIAL DATA, CONSTITUTES THE VESTOR OPINION.

Please note that this research was originally prepared and issued by Vestor for distribution to their market professional and institutional investors as defined under the above indicated regulations and to other qualified customers of Vestor entitled to gain recommendations based on the brokerage services agreements. Recipients who are not market professional or institutional investor customers of Vestor should seek the advice of their independent financial advisor prior to taking any investment decision based on this report or for any necessary explanation of its contents.

Vestor may not have taken any steps to ensure that the financial instruments referred to in this report are suitable for any particular investor. Vestor will not treat recipients of this report as its customers by virtue of their receiving this report. The investments and services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services.

Recipients must make their own determination of the appropriateness of an investment in any instruments referred to herein based on the merits and risks involved, their own investment strategy and their legal, fiscal and financial position.

Nothing in this report constitutes investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you.

Information and opinions contained herein have been compiled or gathered by Vestor from public sources believed to be reliable, however Vestor and its affiliates shall have no responsibility or liability whatsoever in respect of any inaccuracy or omission. Any such person shall be responsible for conducting his own investigation and analysis of the information contained or referred to in this document and of evaluating the merits and risks involved in the financial instruments forming the subject matter of this document.

This report may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the report refers to website of Vestor, Vestor has not reviewed any such site and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Vestor' own website material) is provided solely for your convenience and information and the content of any such website does not in any way form part of this document.

This report is for information purposes only and (i) does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for any financial instruments, (ii) is neither intended as such an offer for sale or subscription of or solicitation of an offer to buy or subscribe for any financial instruments (iii) as an advertisement thereof.

This report may contain recommendations, information and opinions that are not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or applicable regulations or which would be subject for Vestor or its affiliates to any registration or licensing requirement within such jurisdiction, in particular in jurisdictions where Vestor is not already registered or licensed to trade in financial instruments.

This material may relate to investments or financial instruments of an entity located outside territory of the Republic of Poland, which are not regulated by the Polish Financial Supervision Authority or other relevant authority. Any further details as to where this may be the case is available upon request.

THIS DOCUMENT NOR ANY COPY HEREOF SHALL NOT BE DISTRIBUTED DIRECTLY OR INDIRECTLY IN THE UNITED STATES, CANADA, AUSTRALIA OR JAPAN OR TO ANY CITIZEN OR RESIDENT OF COUNTRIES WHERE ITS DISTRIBUTION MAY BE RESTRICTED BY LAW. IN SUCH CASES PERSONS WHO DISTRIBUTE THIS DOCUMENT SHALL MAKE THEMSELVES AWARE OF AND ADHERE TO ANY SUCH RESTRICTIONS.

VESTOR INFORMS THAT INVESTING ASSETS IN FINANCIAL INSTRUMENTS IMPLIES THE RISK OF LOSING PART OR ALL THE INVESTED ASSETS.

VESTOR INDICATES THAT THE PRICE OF THE FINANCIAL INSTRUMENTS IS INFLUENCED BY LOTS OF DIFFERENT FACTORS, WHICH ARE OR CANNOT BE DEPENDENT FROM ISSUER AND ITS BUSINESS RESULTS. THESE ARE FACTORS SUCH AS CHANGING ECONOMICAL, LAW OR POLITICAL CONDITIONS.

THE DECISION TO PURCHASE ANY OF THE FINANCIAL INSTRUMENTS SHOULD BE MADE ONLY ON THE BASIS OF THE PROSPECTUS, OFFERING CIRCULAR OR OTHER DOCUMENTS AND MATERIALS WHICH ARE PUBLISHED ON GENERAL RELEASE ON THE BASIS OF POLISH LAW.

Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. The price, value of and income from any of the securities or financial instruments mentioned in this report can fall as well as rise. The value of securities and financial instruments is subject to exchange rate fluctuation that may have a positive or adverse effect on the price or income of such securities or financial instruments.

Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realised. Those losses may equal your original investment. Indeed, in the case of some investments the potential losses may exceed the amount of initial investment and, in such circumstances, you may be required to pay more money to support those losses. Some investments may not be readily realisable and it may be difficult to sell or realise those investments, similarly it may prove difficult for you to obtain reliable information about the value, or risks, to which such an investment is exposed.

THIS REPORT HAS BEEN PREPARED BY OR IN CONJUNCTION WITH THE ISSUER IN THE SCOPE DESCRIBED ABOVE.

INFORMATION REGARDING VALUATIONSFORECASTS OF THE COMPANY’S FINANCIAL RESULTS CONTAINED IN THIS DOCUMENT MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED OR APPROVED BY ISSUERS. THE OPINIONS EXPRESSED HEREIN ARE SOLELY THOSE OF VESTOR.

During the last 12 months Vestor has not been a party to agreements relating to the offering of financial instruments issued by Issuer.

During the last 12 months Vestor was not a member of syndicate for financial instruments issued by Issuers.

Vestor did not buy or sell any financial instruments issued by the Issuer on its own account, in order to realize investment subissue or service agreements.

Vestor does not act as a market maker, on principles specified in the Regulations of the Warsaw Stock Exchange, for the shares of Issuers.

Vestor does not act as issuer’s market maker, on principles specified in the Regulations of the Warsaw Stock Exchange, for the shares of Issuers.

Vestor does not hold shares of the Issuer, i.e. financial instruments of the Issuer being the subject of this document, in the amount reaching at least 5% of the share capital.

Vestor does not rule out that in the period of preparing this document any affiliate of Vestor might purchase shares of the Issuer or any financial instruments being the subject of this document which may cause reaching at least 5% of the share capital.

Vestor does not, directly or indirectly, hold financial instruments issued by the Issuer or financial instruments whose value depends on the value of financial instruments issued by the Issuer. However, it cannot be ruled out that, in the period of the next twelve months or the period in which this document is in force, Vestor will submit an offer to provide services for the Issuer or will purchase or dispose of financial instruments issued by the Issuer or whose value depends on the value of financial instruments issued by the Issuer.

During the last 12 months Vestor has received remuneration for providing services for the Issuers, among others in the scope determined above on accounts of Equity Research Partner services.

Affiliates and/or Vestor may, from time to time, to the extent permitted by law, participate or invest in financing transactions with Issuer, perform services for or solicit business from Issuer and/or have a position or effect transactions in the financial instruments issued by the Issuer (“financial instruments”).

Vestor may, to the extent permitted by applicable Polish law and other applicable law or regulation, may provide banking, insurance or asset management services for, or solicit such business from, any company referred to in this report.

Any of Vestor officers, employees, related and discretionary accounts may, to the extent not disclosed above and to the extent permitted by law, have long or short positions or may otherwise be interested in any transactions or investments (including derivatives) referred to in this report.

Analysts of Vestor have acted with due diligence in the preparation of this report. This analysis of the relevant companies and securities is based on the personal opinions of the analysts about mentioned companies and securities.

Neither Vestor nor any of their respective directors, officers or employees nor any other person accepts any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

Vestor is not obliged to take any actions which could cause financial instruments that are the subject of the valuation contained in this document to be valued by the market in accordance with the valuation contained in this document.

We reserve the right to modify the views expressed herein at any time without notice. Moreover, we reserve the right not to update this information or to discontinue it altogether without notice.

Except to the reservations expressed above this report remains in force for 12 months and no longer than the date of the issue of another recommendation.

Vestor emphasizes that this document is going to be updated at least once a year.

Over the last three months, excluding recommendation contained in this report, Vestor issued 1 Buy recommendation, 0 Accumulate recommendation, 2 Neutral recommendation, 0 Reduce recommendations and 0 Sell recommendations. The proportion of issuers number corresponding to each of the above directions of recommendation, for which Vestor has rendered investment banking services within last 12 months is 82 %. Over the last three months, excluding recommendation contained in this report, Vestor issued 17 reports (recommendations) acting within the Equity Research Partner service for the Issuers without pointing the investment direction or target price.

The date indicated on the first page of this document constitutes a day of its preparation and publication.

In the case where recommendation refers to several companies, the name “Issuer” will apply to all of them.

THIS DOCUMENT IS FURNISHED AND PRESENTED TO YOU SOLELY FOR YOUR INFORMATION AND SHALL NOT BE REPRODUCED OR REDISTRIBUTED TO ANY OTHER PERSON.

Additional information is available on request.

If this report is being distributed by a financial institution other than Vestor, or its affiliates, that financial institution is solely responsible for distribution. Clients of that institution should contact that institution to effect a transaction in the securities mentioned in this report or require further information. This report does not constitute investment advice by Vestor to the clients of the distributing financial institution, and neither Vestor, its affiliates, and their respective officers, directors and employees accept any liability whatsoever for any direct or consequential loss arising from their use of this report or its content.

All trademarks and logos used in this report are trademarks or logos of Vestor or its affiliates.

Vestor is an author of this document.

Note on what the evaluation of equities is based:

Buy/Accumulate/Neutral/Reduce/Sell – means that, according to the authors of this document, the stock price may perform materially better/better/neutrally/worse/materially worse than the cost of equity of the respective stock.

The recommendation system of Vestor is based on determination of target prices and their relations to current prices of financial instruments; in addition, when recommendations are addressed to a wide range of recipients, two methods of valuation are required.

In preparing this document Vestor applied at least two of the following valuation methods:

1) discounted cash flows (DCF),

2) comparative,

3) target multiple,

4) scenario analysis,

5) dividend discount model (DDM),

6) NAV,

7) Sum of the parts,

8) Discounted residual income model.

The discounted cash flows (DCF) valuation method is based on discounting expected future cash flows. The main advantage of the DCF valuation is the fact that this method takes into account all cash streams the issuer is expected to reach and the cost of money over time. From the other hand, DCF valuation method requires a number of assumptions and is very sensitive to changes in parameters used in the in the model. Small changes in inputs can result in large changes in the value of a company.

The comparative valuation method is based on the rule of “one price”. The advantages of this method are small number of parameters that need to be estimated, the fact that there is a relatively large number of indicators for companies being compared, the method is well-known among investors and the valuation is based on current market conditions. From the other hand a valuation derived from the comparative valuation method is considerably sensitive to the valuation of the companies classified as peers and can lead to simplification of the picture of the company.

The target multiple valuation approach is based on the assumption that the value of the company should be equal to pre-specified values of selected price multiples. The advantage of this method is its applicability to each company. From the other hand the target multiple approach is a highly subjective method.

The scenario analysis approach is based on the probability weighted valuation for three sets of assumptions: Bear case (20% probability), base case (60% probability) and bull case (20% probability). The base case is based on the assumptions and estimates which we have included in our financial forecasts and DCF valuation. In the bear/bull case scenarios we have analyzed the valuation sensitivity towards negative/positive changes in various assumptions including market size, market shares, profitability, growth, capex, valuation multiples etc. The advantage of this method is presentation of various scenarios and valuation sensitivity. As an disadvantage we find its complication and sensitivity towards probability weights assumption.

The dividend discount model (DDM) valuation uses predicted dividends that are expected to be paid out by the company and discounts them back to present value. The advantages of the DDM valuation method are its applicability to companies with long-term dividend payout history and the fact that it takes into account real cash streams that are expected to receive by equity-owners. From the other side the DDM valuation method requires a number of assumptions regarding dividend payouts.

The net asset value approach considers the underlying value of the company's individual assets net of its liabilities. Some of the advantages of the NAV approach are its applicability to asset holding companies and the fact that data required to perform the valuation are usually easily available. From the other hand the valuation derived from net asset value approach does not take into account future changes in sales or income and can understate the value of intangible assets.

The sum of the parts approach values a company by determining what its divisions would be worth if it was broken up and spun off or acquired by another company. The advantage of this method is a possibility to apply different valuation methods to different divisions. As an disadvantage we find scarcity of comparable basis for the respective business lines.

The discounted residual income model valuation is based on discounted excess equity flows the company is able to deliver. The main advantage of this method is that it is based on return on equity adjusted by cost of equity. The important disadvantage is that it is based on the income statement so does not include actual cash flows, but may fluctuate depending on accounting method.

Terminology used in the recommendation:

P/E – price-earnings ratio

PEG - P/E to growth ratio

EPS - earnings per share

P/BV – price-book value

BV – book value

EV/EBITDA – enterprise value to EBITDA

EV – enterprise value (market capitalization plus net debt)

EBITDA – earnings before interest, taxes, depreciation, and amortization

EBIT – earnings before interest and tax

NOPAT – net operational profit after taxation

FCF - free cash flows

ROE – return on equity

WACC - weighted average cost of capital

CAGR – cumulative average annual growth

CPI – consumer price index

COE – cost of equity

L-F-L – like for like

Recommendation definitions:

Buy - indicates a stock's total return to exceed more than 1.5x respective cost of equity over the next twelve months.

Accumulate - indicates a stock's total return to exceed more than respective cost of equity over the next twelve months.

Neutral - indicates a stock's total return to be in range of 0% to respective cost of equity over the next twelve months.

Reduce - indicates a stock's total return to be in range of minus respective cost of equity to 0% over the next twelve months.

Sell - indicates a stock's total return to be less than minus respective cost of equity over the next twelve months.

ANY PERSON WHO ACCEPTS THIS DOCUMENT AGREES TO BE BOUND BY THE FOREGOING DISCLAIMER AND LIMITATIONS.