



warimpex

## KEY FIGURES OF THE WARIMPEX GROUP

EUR '000		2012	Change	2011
Revenues from the Hotels & Resorts segment		62,382	6%	58,613
Revenues from the Development & Asset Management segment		11,227	78%	6,312
<i>Total revenues</i>		<i>73,609</i>	<i>13%</i>	<i>64,925</i>
Income from the sale of properties		212	-93%	3,018
EBITDA		10,787	-14%	12,492
EBIT		7,414	-23%	9,662
Result from joint ventures		18,433	48%	12,436
Profit for the period (annual result)		9,665	34%	7,240
Total income and expenses for the period		12,470	95%	6,381
Net cash flow from operating activities		16,324	99%	8,209
Equity and liabilities		416,431	1%	412,284
Equity		89,052	16%	76,582
Issued capital		54,000	–	54,000
Equity ratio		21%	2 pp	19%
Adjusted equity ratio <sup>1</sup>		33%	1 pp	32%
Average number of shares in the financial year	units	54,000,000	–	54,000,000
Earnings per share	in EUR	0.14	–	0.12
Number of shares on 31 December	units	54,000,000	–	54,000,000
Number of hotels		21	–	21
Number of rooms (adjusted for proportionate share of ownership)		3,481	19	3,462
Number of office and commercial properties		5	–	5
<b>Segment information (including joint ventures on a proportionate basis):</b>				
Revenues from the Hotels & Resorts segment		112,481	+ 9%	103,443
NOP of the Hotels & Resorts segment		28,657	+ 9%	26,226
Revenues from the Development & Asset Management segment		12,756	+ 73%	7,388
EBITDA of the Development & Asset Management segment		8,709	–	-627
Average number of employees in the Group		1,114	-3%	1,150
		<b>31/12/2012</b>	<b>Change</b>	<b>31/12/2011</b>
Gross asset value (GAV)	in EUR m	558.5	-8%	605.2
Triple net asset value (NNNAV)	in EUR m	172.7	–	172.6
NNNAV per share	in EUR	3.2	–	3.2
End-of-year share price	in EUR	0.97	24%	0.78

<sup>1</sup> Assuming that the real estate assets are recognized at their fair values

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## WARIMPEX

Warimpex is a “hybrid” 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. The majority of these projects is located in Central and Eastern Europe.

Accordingly, the Warimpex Group generates stable cash flows from the operation of hotel properties and the letting of commercial and office space while simultaneously realizing proceeds from real estate sales.

The Warimpex Group’s real estate development projects and the operation of its properties have an impact on the social, ecological and economic environments in which it does business. Because of this, the Company bears great responsibility. It has firmly anchored the fulfilment of this responsibility into its corporate culture, and sees living up to this responsibility as a central element in its success.

## WARIMPEX – AN OVERVIEW

### Evolution of the Warimpex Group

Warimpex was founded in 1959 by Stefan Folian as an import/export trading company. From 1982 onwards, under the management of Georg Folian and Franz Jurkowitsch, the Company started to specialize in real estate projects in Central and Eastern Europe. Since that date, the Warimpex Group has developed real estate with investments amounting to more than one billion euros, including hotels in the five-, four- and three-star categories. In addition, Warimpex also develops office buildings and other real estate.

### Development and Asset Management

Real estate project development and operations are coordinated by Warimpex in Vienna together with the local branch offices in Prague, St. Petersburg and Warsaw. The majority of the hotels are managed by Vienna International Hotelmanagement AG. Warimpex is also building upon its successful, long-standing cooperative projects with international hotel groups such as the InterContinental Group and Sheraton.

As of the end of 2012, Warimpex was the owner, co-owner or leaseholder of twenty-one business and luxury hotels with a total of more than 4,800 rooms (3,481 rooms when adjusted for the proportionate share of ownership), plus five commercial and office buildings with a total floor area of some 43,000 square metres (roughly 30,000 square metres when adjusted for the proportionate share of ownership) in Poland, Germany, the Czech Republic, Russia, Hungary, Romania and France.

Three-star-plus and four-star hotels, which are operated under the andel's and angelo hotel brands, are built in primary and secondary metropolitan areas.

## HIGHLIGHTS IN 2012

### Operational highlights

- 04/2012 Head of terms agreement for the intended sale of the InterContinental hotel in Warsaw signed
- 10/2012 Preliminary agreement for the sale of the InterContinental hotel in Warsaw signed
- 11/2012 Gazprom new tenant at Airport City St. Petersburg
- 12/2012 Sale of the InterContinental hotel concluded

### Financial highlights

- Revenues increased by 13 per cent
- EBITDA of EUR 10.8 million
- EBIT of EUR 7.4 million
- Profit for the year of EUR 9.7 million
- Earnings per share of EUR 0.14
- Valuation by CBRE puts real estate assets at EUR 558.5 million
- Triple net asset value (NNNAV) per share unchanged at EUR 3.2

# CORPORATE GOVERNANCE REPORT

Warimpex is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish best practices for listed companies. The Management Board declares that it complies with both sets of guidelines to the best of its ability. The Company fulfils all the legal requirements as well as observing virtually all the comply-or-explain rules set forth in the Austrian Code. Deviations from individual corporate governance rules relate to the Company's structure and/or to Polish rules that are not complied with due to the Company's primary orientation towards the relevant Austrian regulations.

Detailed explanations are available on the Company's web site at [www.warimpex.com](http://www.warimpex.com).

## **Austrian Code of Corporate Governance, as amended in July 2012**

The Austrian Code of Corporate Governance (as amended on 1 July 2012 and which was applied for financial year 2012, [www.corporate-governance.at](http://www.corporate-governance.at)) contains rules that must be followed (L-rules), rules that are not mandatory for the Company but for which justification must be provided in the event of non-compliance (C-rules), and rules that are entirely optional for the Company and for which no justification must be provided in cases of non-compliance (R-rules). Overall, the Company's statutes and the internal terms of reference for the Management Board and the Supervisory Board comply with the L-rules in full, and with all of the C-rules except as explained below:

- The Company has neither outsourced its internal auditing functions nor set up a separate staff unit for internal auditing purposes, which would be required by Rule 18. The Company has no intention to make such changes at this time. The Management Board has judged that such measures would be disproportionately cost intensive, and the implementation of Rule 18 is not planned for the foreseeable future for cost reasons.
- An assessment by the balance sheet auditor of the effectiveness of the Company's risk management system in accordance with Rule 83 did not take place because the operational risk management system is installed at the level of the Group's subsidiaries, and because equity-investment-specific risk management is an integral part of equity investment management in the Company's function as a holding company.

All members of the Supervisory Board are independent as defined by C-Rule 53 of the Austrian Code of Corporate Governance. The guidelines for independence are the same guidelines as published in Annex 1 to the Code. A directors and officers liability insurance policy has been taken out.

## **The Management Board**

The terms of reference for the Management Board govern the composition and procedures of the Board, collaboration between the Management Board and Supervisory Board, how conflicts of interest are to be handled, the reporting and disclosure obligations of the Board, and what decisions require the approval of the Supervisory Board (including the most important business transactions of the Company's material subsidiaries). The Management Board generally meets at least every two weeks to exchange information and decide on motions.

## **Working Principles of the Supervisory Board**

The Supervisory Board discusses the position and objectives of the Company and adopts motions to fulfil its duties, in particular the supervision and strategic assistance of the Management Board. In addition to the composition, procedures, working principles and responsibilities of the Supervisory Board, the terms of reference for this Board also govern how conflicts of interest are to be handled and specify the Supervisory Board committees (Audit Committee, Personnel Committee and Project Committee) and their responsibilities and powers. The Supervisory Board held six meetings during the reporting period. Meetings were also held between the Supervisory Board and Management Board to discuss issues of Company management. All members of the Supervisory Board were physically present at more than half of the meetings of this Board during the reporting period.



## Committees

The Supervisory Board appoints an Audit Committee, a Project Committee and a Personnel Committee from among its members. A separate strategy committee has not been formed because all such issues are handled by the Supervisory Board as a whole. The committees are appointed for the duration of the tenure of their members. Each committee elects a chairman and a deputy chairman from among its members. For more information, see the section "Bodies of the Company".

For information regarding the total remuneration paid to the individual members of the Supervisory Board and the individual members of the Management Board and the principles of the Company's remuneration policy, please consult items 6.03. and 24.5. in the Notes to the consolidated financial statements.

Men and women completing the same tasks and having the same education receive equal salaries at Warimpex, and the ratio of women to men at the Warimpex head office is 1:1. One woman has been assigned proxy powers; there are no further concrete measures for the promotion of women in managerial positions at this time.

## Poland – Code of Best Practice for WSE Listed Companies

In accordance with the statutes of the Warsaw Stock Exchange and in connection with the application for admission of the Company's shares for trading at this exchange, the Company is obligated to disclose which Polish corporate governance rules from the Code of Best Practice for WSE Listed Companies it intends to follow, and which it will not follow (with an explanation of the reasons for non-compliance).

The Company has decided to follow these Polish corporate governance rules with the following exceptions, which are due to the structure of the Company and to the provisions of Austrian law, to which the Company is subject. In particular, the Company has decided not to comply with the following rules from the Code of Best Practice for WSE Listed Companies (as amended in October 2011) for the indicated reasons:

- Rule I.1 and I.12: The Company communicates with its shareholders, investors and analysts through traditional means of communication and through modern means of communication such as the Internet. Ad hoc releases, minutes of the annual general meetings and other publications can be found in the Investor Relations area of the Company's web site ([www.warimpex.com](http://www.warimpex.com)). Webcasts of the Company's annual general meeting are currently not offered, but will be offered in future when required by law.
- Rule I.4: Company capital measures that entail the acquisition of shareholder's rights are executed at the same time or during the same periods in Austria and Poland; excepted from this are annual general meetings, which are always held at a venue in Austria.
- Rule I.9: The WSE recommends that listed companies and their shareholder's rights to attain a balanced ratio of women to men in managerial and supervisory board functions. The ratio of women to men at the Warimpex head office is 1:1. One woman has been assigned proxy powers; there are no further concrete measures for the promotion of women in managerial positions and on the Supervisory Board at this time.
- Rule II.1: The statutes of the Company can be viewed on its web site. Internal documents such as terms of reference for its governing bodies are not published.
- 2: Curricula vitae are only published on the web site for candidates for the Supervisory Board.
- 7: In accordance with Austrian law, questions from shareholders about agenda items are documented in the minutes of the annual general meetings, but not published by the Company on its own web site.
- Rule III.1: An assessment of the work of the Supervisory Board and reports by the Supervisory Board on the internal control system and the risk management system are included in the annual report and published on the Company's web site. Shareholders can pose questions in this connection at the annual general meeting as permitted by law.



## BODIES OF THE COMPANY

### Supervisory Board

#### **Günter Korp**

Chairman of the Supervisory Board  
Chairman of the Audit Committee/financial expert  
Chairman of the Personnel Committee  
Deputy Chairman of the Project Committee  
Year of birth: 1945, First appointed: 16 October 2009  
Current period of office ends in 2016

#### **Thomas Aistleitner**

Deputy Chairman of the Supervisory Board  
Deputy Chairman of the Audit Committee  
Member of the Personnel Committee  
Year of birth: 1953, First appointed: 11 June 2012  
Current period of office ends in 2016

#### **Hannes Palfinger**

Member of the Supervisory Board  
Member of the Project Committee  
Member of the Audit Committee  
Year of birth: 1973, First appointed: 3 May 2011  
Current period of office ends in 2012  
Member of the supervisory board of Palfinger AG

#### **William Henry Marie de Gelsey**

Member of the Supervisory Board  
Year of birth: 1921, First appointed: 31 May 2007  
Current period of office ends in 2016  
Member of the board of directors  
of Gedeon Richter Ltd, Budapest

#### **Harald Wengust**

Member of the Supervisory Board  
Chairman of the Project Committee  
Deputy Chairman of the Personnel Committee  
Year of birth: 1969, First appointed: 16 October 2009  
Current period of office ends in 2016  
Chairman of the supervisory board of Informica Real Estate AG

#### **Mag. Wolfgang Mitterberger**

(until 11 June 2012)  
Year of birth: 1966  
First appointed: 31 May 2007

#### **Heinrich Geyer**

(until 11 June 2012)  
Year of birth: 1939  
First appointed: 3 November 1993



### Management Board

#### **Franz Jurkowitsch (r.)**

Chairman of the Management Board  
Year of birth: 1948  
First appointed: 2 September 1986  
Appointed until 2 September 2016  
*Responsibilities:*  
strategy, investor relations, organization,  
legal issues and corporate communications  
Chairman of the supervisory board of Vienna International  
Hotelmanagement AG, Vienna

#### **Georg Folian (m.)**

Year of birth: 1948  
First appointed: 2 September 1986  
Appointed until 2 September 2016  
*Responsibilities:*  
finances and accounting, financial management, human resources  
Deputy chairman of the supervisory board of Vienna International  
Hotelmanagement AG, Vienna

#### **Alexander Jurkowitsch (l.)**

Member of the Management Board  
Year of birth: 1973  
First appointed: 31 July 2006  
Appointed until 31 July 2016  
*Responsibilities:*  
planning, construction, IT and information management

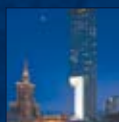
#### **Christian Fojtl**

Member of the Management Board (until 31 December 2012)  
Year of birth: 1964  
First appointed: 31 July 2006

## MARKETS

### POLAND

Existing portfolio: 6 hotels, 1 office property  
Under development: 2 office buildings



InterContinental hotel Warsaw



andel's hotel Łódź



andel's hotel Kraków



Chopin hotel Kraków



angelo Hotel Katowice



Amber Baltic hotel Międzyzdroje



Parkur Tower Warsaw

### CZECH REPUBLIC

Existing portfolio: 7 hotels



Le Palais Hotel Prague



Palace Hotel Prague



Golden Tulip Savoy Prague



angelo hotel Prague



Diplomat Hotel Prague



angelo hotel Píseň



Dvořák hotel Karlovy Vary

### HUNGARY

Existing portfolio: 3 office properties



Erzsébet Offices Budapest



Sajka Office Budapest



Díszegi Office Budapest

### ROMANIA

Existing portfolio: 1 hotel



angelo Airporthotel Bucharest

### GERMANY

Existing portfolio: 2 hotels  
Under development: 1 conference centre



andel's hotel Berlin



angelo hotel Munich

### FRANCE

Existing portfolio: 2 hotels



Dream Castle hotel Paris



Magic Circus Paris

### AUSTRIA

Under development: 1 hotel including apartments



Palais Hansen Kempinski Vienna

### RUSSIA

Existing portfolio: 3 hotels, 1 office building  
Under development: 1 office building



Crowne Plaza St. Petersburg



Liner Airport Hotel Ekaterinburg



angelo Airporthotel Ekaterinburg



Business Towers St. Petersburg

## MILESTONES IN 2012

Head of terms agreement for the intended sale of the InterContinental hotel in Warsaw signed

January

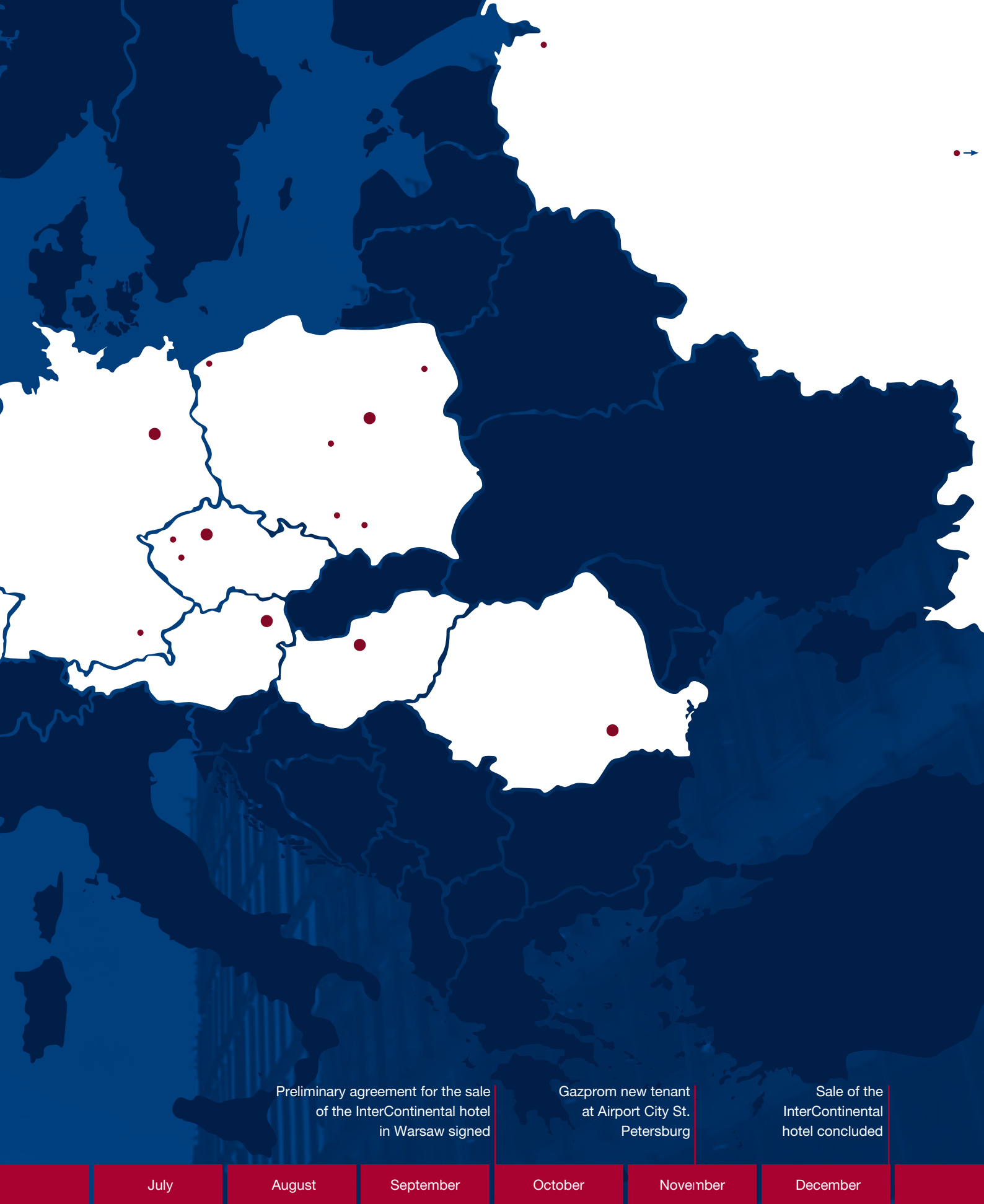
February

March

April

May

June



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## FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

### Dear Shareholders,

The turnaround finally came at the end of 2012. After a long period of virtual stagnation on the transaction market, it seems that things are now beginning to move normally again. With the sale of the InterContinental hotel in Warsaw, we not only effected the largest hotel sale in the history of our Company, but also the largest hotel transaction in the history of the Polish market. The hotel also enjoyed its best year of business ever in 2012, in part thanks to the European football championships in Poland and Ukraine. A lease with the buyer will secure the good cash flows from this property for us in the future.

After we changed our recognition method from the proportionate method to the equity method in 2011 to account for the new IFRS rules that must be applied starting in 2013, our 50 per cent stake in the InterContinental hotel is not recognized directly in our financial statements. Because of this, the result of this sale – a profit of around EUR 11.6 million – is not reflected in figures like our EBITDA. But it can be seen in our segment report, which recognizes our joint ventures using the proportionate method. The Development & Asset Management segment saw EBITDA of EUR 8.7 million – compared with minus EUR 627,000 in 2011. In the statements prepared using the equity method of consolidation, the effect of the sale is contained in the result from joint ventures (plus 48 per cent to EUR 18.4 million) and was a key component of the successful result for 2012. The profit for the period improved by 34 per cent to EUR 9.7 million, and the comprehensive income rose from EUR 6.4 million to EUR 12.5 million. This also strengthened our equity capital by a considerable 16 per cent.

The sale of the InterContinental hotel was followed by a series of further milestones, mostly after the reporting date. In terms of transactions, these were the sale of a 50 per cent stake in the angelo hotel Munich including an adjacent property and the preliminary agreement on the sale of the Le Palais office building in Warsaw, which was completed in February 2013, to the IVG Warsaw fund. The deal is expected to close in the first half of 2013.

I am also pleased to bring good news about our projects in Russia. In St. Petersburg, the Company succeeded in winning a member of the Gazprom group as a tenant for the two finished office towers at Airport City. A letter of intent was also signed with a renowned company for the third office tower, which is still under construction. An agreement for the refinancing of a short-term credit line for the angelo and Liner hotels at Ekaterinburg airport was signed with the Russian bank Sberbank at the beginning of 2013. These projects are now covered by long-term financing. Both establishments are also developing well, and the angelo hotel reported a roughly 50 per cent increase in revenue in 2012.

The Prague hotel market is recovering slowly, both in terms of occupancy and room rates. The completion of the Le Palais office building in Warsaw boosted revenue in the Development & Asset Management segment by 73 per cent when all joint ventures are recognized using the proportionate method. The cash flow from operating activities doubled compared with the previous year to EUR 16.3 million.

In large part due to these positive developments, we decided to place a bond and a convertible bond on the Polish capital market. The issue proceeds of roughly PLN 89.6 million (around EUR 21.8 million) are earmarked for the refinancing of existing obligations and for bolstering the Company's financing structure, and will also provide the necessary flexibility to seize investment opportunities under the current market conditions. In this, we are concentrating on the second construction phase of Airport City in St. Petersburg and on the conversion of an office building in Budapest.

While we saw improvement in most areas during the year, we were saddened by the decision of our long-time colleague, Christian Fojtl, to step down from the Management Board at the end of December. He is remaining with the Company as a manager in Poland, which I very much welcome. His post on the Board will not be filled in the interests of a streamlined and more efficient company structure.

I would like to thank all of our employees for the good year we enjoyed in 2012. Our successes would not have been possible without their commitment! And I of course thank you, esteemed shareholders, for the trust you place in Warimpex.



Franz Jurkowitsch

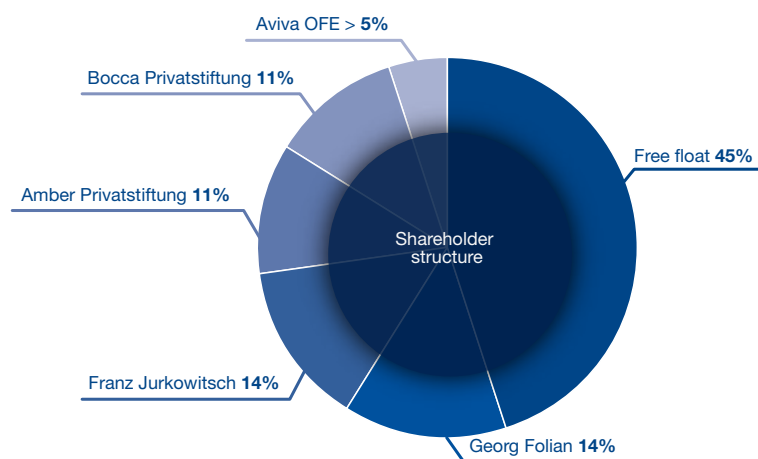
## INVESTOR RELATIONS

After closing 2011 at EUR 0.78 and PLN 2.95, the share price recovered in the first quarter of 2012 and climbed back above EUR 1.00. In the second quarter, the share price declined as a result of higher levels of macroeconomic uncertainty. In the third quarter, the share price stabilised and closed September at EUR 0.75 and PLN 3.17. After the signing of the preliminary agreement for the sale of the InterContinental hotel in Warsaw, the share price rose and closed at EUR 0.97 and PLN 3.90 on 30 December 2012.

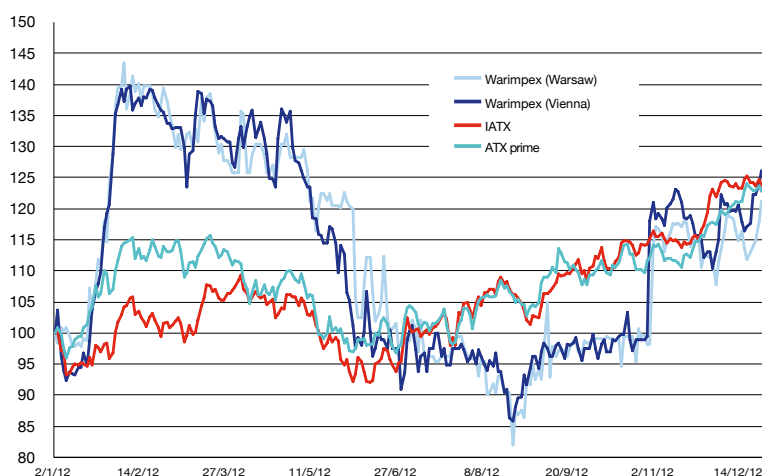
The financial ratio was 56 per cent on 31 December 2012.

Since our IPO, we have maintained an open and proactive communication policy with our investors. Warimpex participated in investor conferences in Zürich, Warsaw, Prague and Frankfurt in the reporting period.

### Shareholder structure As of 15 April



### Share price performance



### Key share data

#### ISIN

AT0000827209

#### Number of shares on 31 December 2012

54,000,000

#### Ticker symbols

Stock exchanges WXF  
Reuters WXFB.VI

#### High\*

EUR 1.12 | PLN 4.62

#### Low\*

EUR 0.64 | PLN 2.64

#### Price on 31 December 2012

EUR 0.97 | PLN 3.90

\* Last 52 weeks

### Warimpex is included in the following indices:

#### Vienna

ATX Prime, Immobilien-ATX

#### Warsaw

Market Main 50, Plus, WIG

#### 100-day trading average

in Vienna approximately 41,000 shares  
in Warsaw approximately 9,000 shares





# GROUP MANAGEMENT REPORT

for the financial year from 1 January to 31 December 2012



## MARKETS

### POLAND

#### Economic environment

The economy grew by 2.9 per cent in the first half of 2012 and is projected to have grown by 2 per cent for 2012 as a whole, a considerably lower rate than in 2011.

Exports were relatively robust, while imports flagged because of lower domestic demand. Private consumption was very disappointing as a result of the worsening conditions on the labour market and the declines in real incomes. Because of the current economic uncertainties on the European sales markets, growth is expected to slow to 1.3 per cent in 2013. Private consumption and private investment activity are expected to improve slightly in 2014, which should push economic growth back to 2.2 per cent.<sup>1</sup>

The real estate investment market was dominated by cross-border investments from the USA and Germany in 2012. The transaction volume was very high in Q4 2012, but not enough to make up for the weak second and third quarters. Overall, the transaction volume slipped by 12 per cent in annual comparison. The top yields for office properties was 6.25 per cent, which was the top level in CEE at the end of 2012<sup>2</sup>. In the hotel industry, occupancy rose by 2 percentage points to 74 per cent, while the average room rate in euros increased by 16 per cent to EUR 108.<sup>3</sup>

#### Existing portfolio: 6 hotels, 1 office property

Warimpex has been 50 per cent leaseholder of the five-star InterContinental in Warsaw since December 2012.

Warimpex and UBM developed the hotel together, and each most recently held 50 per cent of the hotel with its 414 rooms. Warimpex and UBM sold the hotel to WestInvest InterSelect, a retail real estate fund of Germany's DekaBank group, at the end of December. At a price of over EUR 100 million, the sale is the largest hotel deal ever in Poland.

Thanks to Warimpex's and UBM's many years of experience in operating the InterContinental hotel, a lease was concluded between them and the new owner under which Warimpex and UBM are leasing the hotel at a fixed rate and will continue to run the establishment under the brand InterContinental until 2027.

In Krakow, Warimpex has leased the four-star-plus andel's hotel since 2009 and also owns the three-star Chopin Hotel. In Łódź, Warimpex opened a further andel's hotel in June 2009; in March 2010, the first angelo hotel in Poland (a joint venture with UBM) opened in Katowice. In Międzyzdroje on the Baltic coast, Warimpex owns the Amber Baltic spa resort hotel.

The occupancy rate at the InterContinental hotel remained stable at 77 per cent (1–12 2011: 76 per cent), but the average room rate in euros increased by about 10 per cent. The European football championships in July 2012 had a very positive effect. The andel's hotel in Łódź achieved an occupancy rate of 57 per cent (1–12 2011: 54 per cent), and the average room rate in euros fell slightly. At Chopin Hotel in Krakow, the thermal renovation of the façade was completed and the remaining rooms were renovated. The occupancy rate at the Chopin Hotel rose from 57 per cent to 62 per cent, and the average room rate in euros remained stable for the most part. At the andel's hotel in Krakow, the occupancy rate also increased significantly (1–12 2012: 74 per cent, 1–12 2011: 71 per cent), and the average room rate rose marginally. The occupancy rate at the Amber Baltic beachfront resort came in at 46 per cent (1–12 2011: 45 per cent), and the average room rate declined somewhat. Due to its location on the Baltic coast, occupancy rates at this hotel are subject to strong seasonal fluctuations, and cannot be compared with those of city hotels.

In addition to the hotels listed above, Warimpex owns 50 per cent of the Parkur Tower office building in Warsaw, roughly 90 per cent of which is rented out.

<sup>1</sup> European Commission – European Economic Forecast, Winter 2013

<sup>2</sup> CB Richard Ellis European Capital Markets, Q4 2012

<sup>3</sup> HotStats European Chain Hotels – Performance Report for Warimpex

#### Under development: 2 office buildings

At the end of 2010, Warimpex sold a project company in Warsaw that is converting one of the few historic buildings in the city into a modern office building (the Prozna project). Warimpex has undertaken to complete the project as a developer. In December 2012, Warimpex was involved in the signing of preliminary agreements for the sale of the property to the IVG Warsaw fund. The Le Palais office building in Warsaw was successfully completed and opened at the beginning of 2013. The deal is expected to close at the end of 2013. The sales contract is still pending subject to the fulfilment of the standard closing prerequisites for such real estate transactions in Poland.

An office building that is owned by Warimpex in Krakow is also to be modernized. The building permit was issued in July 2010. Warimpex owns a development property in Białystok. The sale of this development project is planned.

### CZECH REPUBLIC

#### Economic environment

GDP contracted by 1.1 per cent in 2012, primarily due to weaker domestic demand. Stagnation is projected for 2013, and growth of 1.9 per cent in 2014.<sup>4</sup>

In Prague, where the hotel market is in a state of excess supply, the average occupancy rates rose by 0.4 percentage points to 68.4 per cent; the average room rate in euros increased by 7 per cent to EUR 83.<sup>5</sup> Room capacity was removed from the market for the first time in 2012.

#### Existing portfolio: 7 hotels

In Prague, Warimpex owns the two five-star hotels Palace and Le Palais. In the four-star segment, it owns the Diplomat Hotel, the Savoy and the angelo hotels in Prague and Plzeň. Warimpex also consolidates the Dvořák spa hotel in Karlovy Vary according to IAS/IFRS. At the end of 2011, Golden Tulip (part of the Louvre/Starwood Capital Group) was appointed as the new manager of Savoy Hotel.

In the reporting period, the two four-star hotels in Prague, the Diplomat Hotel and the angelo, achieved occupancy rates of 72 and 69 per cent (1–12 2011: 60 and 69 per cent), respectively; the average room rates fell by around 10 per cent at the Diplomat Hotel and remained stable at the angelo. Occupancy at the Golden Tulip Savoy hotel came to 58 per cent (1–12 2011: 54 per cent), and the average room rate rose slightly. In the five-star segment, occupancy rates ranged between 51 and 66 per cent (1–12 2011: 55 and 62 per cent). The average room rates in euros were increased slightly. At the Dvořák spa hotel in Karlovy Vary, the occupancy rate was 79 per cent (1–12 2011: 76 per cent). The average room rate improved. Occupancy at the angelo hotel in Plzeň improved from 46 to 51 per cent, and the average room rate was also higher.

### HUNGARY

#### Economic environment

Hungary experienced a recession in 2012, and GDP fell by 1.7 per cent. This was caused by weaker domestic demand and a lower level of investment. The economy is expected to stagnate in 2013 (minus 0.1 per cent). As exports are projected to recover and domestic demand is not expected to contract further, growth of 1.3 per cent is anticipated for 2014.<sup>6</sup>

In Budapest, top rents remained stable in annual comparison, as did the prime yields<sup>7</sup>, but the vacancy rate is still very high. The fact that there is almost no new development in Budapest at this time is a positive factor.

<sup>4</sup> European Commission – European Economic Forecast, Winter 2013

<sup>5</sup> HotStats European Chain Hotels – Performance Report for Warimpex

<sup>6</sup> European Commission – European Economic Forecast, Winter 2013

<sup>7</sup> CB Richard Ellis CEE Offices, Market View February 2013

**Existing portfolio: 3 office properties**

In Budapest, Warimpex owns the Erzsebet, Dioszegi and Sajka office buildings, which together have a total net floor space of around 17,000 square metres.

The Dioszegi office building has roughly 800 square metres of lettable space, 100 per cent of which is occupied. Sajka office building with its approximately 600 square metres of lettable space is partially rented out.

Of the two towers in the Erzsebet office complex, tower B was completely renovated and handed over to the tenant in May 2009. It was completely rented out in the reporting period. A tenant was found for tower A in the reporting period. There are also plans to modernize this tower and to let it out under a long-term lease.

**ROMANIA****Economic environment**

After exports drove growth in 2011, the expansion of the economy slowed to 0.2 per cent in 2012. A higher level of domestic demand is expected to push growth to 1.6 per cent in 2013.

Occupancy in the peer group (CompSet) for the angelo Airporthotel Bucharest decreased by 0.8 percentage points to 45.8 per cent, but the average room rates rose by around 5 per cent to RON 300.<sup>8</sup>

**Existing portfolio: 1 hotel**

The angelo Airporthotel in Bucharest, which Warimpex acquired in 2007 and expanded by 69 rooms in 2008 along with adapting it to the angelo design, saw an occupancy rate of 48 per cent (1–12 2011: 40 per cent). The average room rate in euros was down slightly.

**GERMANY****Economic environment**

Germany's GDP shrank by 0.6 per cent in quarterly comparison in Q4, and growth for 2012 as a whole came to 0.7 per cent. Germany's solid foundation and especially its robust labour market and competitive strength are projected to push growth back to 0.5 per cent in 2013 and to 2.0 per cent in 2014.<sup>9</sup>

In Berlin, occupancy rates rose by an average of 2.0 percentage points to 76.6 per cent, while the average room rate improved by 6.3 per cent to EUR 111.7. In Munich, occupancy rates rose by an average of 0.1 percentage points to 76.8 per cent, and the average room rate improved by 10.4 per cent to EUR 128.<sup>10</sup>

**Existing portfolio: 2 hotels**

Warimpex held 50 per cent of the angelo hotel in Munich and of the andel's hotel in Berlin during the reporting period. In January 2013, Warimpex sold its stake in the angelo hotel in Munich and an adjacent piece of property to its joint venture partner.

At the angelo hotel in Munich, the occupancy rate came to 81 per cent (1–12 2011: 80 per cent). The average room rate increased by 10 per cent. Occupancy at the andel's hotel in Berlin was 71 per cent (1–12 2011: 69 per cent). The average room rate also rose slightly.

<sup>8</sup> CompSet for the angelo Airporthotel Bucharest

<sup>9</sup> European Commission – European Economic Forecast, Winter 2013

<sup>10</sup> HotStats European Chain Hotels – Performance Report for Warimpex

#### Under development: 1 conference centre

A piece of land adjacent to the andel's hotel in Berlin was purchased in 2009 for the development of a conference centre and commercial space. Planning for this project is under way.

## FRANCE

### Economic environment

The economy stagnated in 2012 (0.0 per cent growth). Because of declining household incomes, rising unemployment and a low level of confidence among businesses, little improvement is expected in 2013 (0.1 per cent), and growth for 2014 is projected at 1.2 per cent.<sup>11</sup>

#### Existing portfolio: 2 hotels

In Paris, Warimpex and its partner UBM are the joint leaseholders of the four-star Dream Castle Hotel and the four-star Magic Circus at Disneyland® Resort Paris, each of which have about 400 rooms. The occupancy rates at the hotels came to 74 and 68 per cent (1–12 2011: 76 and 68 per cent). The average room price increased significantly at both hotels.

## AUSTRIA

### Economic environment

After moderate GDP growth in the first quarter of 2012, the economy slowed considerably and only saw 0.7 per cent growth for the year as a whole. Economic growth for 2013 is also projected at 0.7 per cent.<sup>12</sup>

#### Under development: 1 hotel including apartments

In Vienna, Warimpex is involved in developing Palais Hansen on the city's Ring boulevard into a high-end hotel and residential property in collaboration with Wiener Städtische Versicherung/Vienna Insurance Group and Strauss & Partner. A renowned operator and leaseholder was won for Palais Hansen, the hotel operator Kempinski. Construction work commenced at the beginning of September 2010. Roughly 75 per cent of the apartments were already sold before completion. The project, which opened in March 2013, was Warimpex's first in Austria.

## RUSSIA

### Economic environment

The fall in commodities prices and the strong reversal in global capital flows hit the country hard and GDP fell by 7.8 per cent in 2009. GDP growth rebounded to 4.3 per cent in 2010 and 2011. The economy is expected to have grown solidly in 2012 (3.4 per cent) and is projected to grow by 3.7 per cent in 2013 and 3.9 per cent in 2014. This trend is being driven by increased investment demand, higher commodities prices and a further recovery of consumer spending.<sup>13</sup>

Rental demand was sufficient in St. Petersburg in 2012, and average rental rates rose significantly compared with the previous year. The capitalization rates did not change in annual comparison.

In St. Petersburg, the average occupancy rates rose by 5.9 percentage points to 58.5 per cent, while the average room rate fell by 2.4 per cent to EUR 150.6.<sup>14</sup> In the Ekaterinburg peer group (CompSet), occupancy improved by 8.8 percentage points to 44.4 per cent, but the average room rates fell by roughly 11 per cent to RUB 3,988.<sup>15</sup>

<sup>11</sup> European Commission – European Economic Forecast, Winter 2013

<sup>12</sup> European Commission – European Economic Forecast, Winter 2013

<sup>13</sup> European Commission – European Economic Forecast, Winter 2013

<sup>14</sup> HotStats European Chain Hotels – Performance Report for Warimpex

<sup>15</sup> CompSet for the angelo Airporthotel Ekaterinburg

#### Existing portfolio: 3 hotels, 1 office building

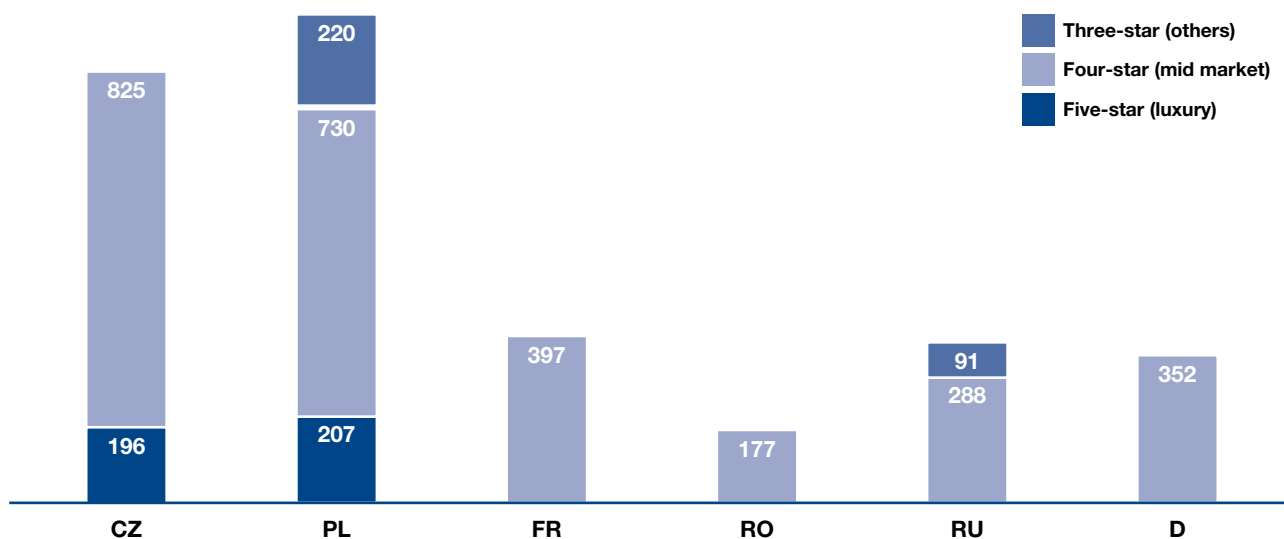
In Russia, Warimpex holds 60 per cent of the Liner Hotel and the angelo hotel at Koltsovo airport in Ekaterinburg. The angelo hotel Ekaterinburg, which has a direct link to the new terminals, was opened in the third quarter of 2009. In St. Petersburg, Warimpex holds 55 per cent of Airport City St. Petersburg. In the first phase of the project, a four-star Crowne Plaza hotel (InterContinental Hotel Group) and an office building with 17,000 square metres of lettable space were opened at the end of December 2011. Airport City St. Petersburg is being developed by OAO AVIELEN A.G. in a joint venture with CA Immo and UBM and is directly next to Pulkovo 2 international airport. It is the first premium-class business centre in the region and is a key infrastructure project in the growing economic centre of St. Petersburg.

While the Liner Hotel continued to enjoy very satisfactory occupancy in the reporting period, occupancy at the more expensive angelo hotel also rose substantially (1–12 2012: 54 per cent, 1–12 2011: 36 per cent), and the average room rate in euros rose slightly. The newly opened Crowne Plaza at Airport City St. Petersburg achieved 58 per cent occupancy. An occupancy rate of 100 per cent was achieved for the two completed office buildings in St. Petersburg (Jupiter 1 and 2).

#### Under development: 1 office building

The shell of a second office building that will have 15,000 square metres of lettable space has also been completed at Airport City. It is planned to finish this office tower in 2014.

#### Hotel portfolio (number of rooms adjusted for proportionate share of ownership) as of 31/12/2012

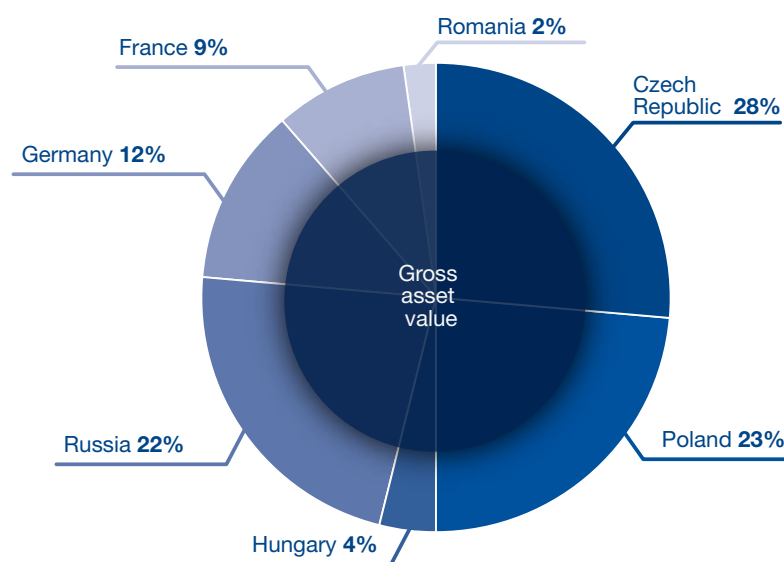


## BUSINESS DEVELOPMENT

As of the end of December 2012, the Warimpex Group portfolio comprised a total of twenty-six properties, twenty-one of which were hotels and five office properties. The Group also holds a large number of properties and development projects in eight countries in Central and especially Eastern Europe. The focus of the portfolio is primarily on Poland, Germany, the Czech Republic and Russia.

To enable an efficient, market-oriented response to ongoing developments, the Warimpex Group employs local staff in all the countries in which it operates.

### Real estate assets by country (share of GAV)



Gross asset value (GAV) as of 31 December 2012

## ASSETS, FINANCIAL POSITION AND EARNINGS SITUATION

The recognition method for joint ventures was changed from the proportionate consolidation method to the equity consolidation method in 2011; the figures for the previous years were adjusted retrospectively.

This change was made so that the financial statements can provide more reliable and relevant information for its intended readers. The IASB is also of the opinion that the proportionate consolidation of joint ventures is not an adequate recognition method, and will not permit this method to be applied for financial years beginning on or after 1 January 2013 according to the new IFRS 11.

### Result for the financial year 2012

Consolidated statement of comprehensive income (in thousands of euros)	2012	2011	2010*
<b>Revenues</b>			
Hotels & Resorts	62,382	58,613	52,950
Development & Asset Management	11,227	6,312	5,439
	<b>73,609</b>	<b>64,925</b>	<b>58,389</b>
Gains from the sale of real estate	334	12,253	20,080
Carrying values, costs in connection with sales	-123	-9,234	-11,323
<b>Income from the sale of properties</b>	<b>212</b>	<b>3,018</b>	<b>8,756</b>
Change in real estate projects under development or construction	1,081	–	-1,314
Other operating income	–	1,007	304
	<b>1,081</b>	<b>1,007</b>	<b>-1,011</b>
	<b>74,901</b>	<b>68,950</b>	<b>66,134</b>
<b>Expenses</b>			
Expenses for materials and services rendered	-27,974	-26,992	-26,557
Expenses for project development	-9,132	-3,001	-104
Personnel expenses	-19,235	-18,756	-18,628
Other expenses	-7,773	-7,710	-7,912
<b>Total expenses</b>	<b>-64,114</b>	<b>-56,459</b>	<b>-53,201</b>
<b>EBITDA</b>	<b>10,787</b>	<b>12,492</b>	<b>12,936</b>
Depreciation and amortization on property, plant and equipment and intangible assets	-3,372	-2,829	1,732
<b>EBIT (operating profit)</b>	<b>7,414</b>	<b>9,662</b>	<b>14,665</b>
Financial revenue	2,421	3,873	592
Finance costs	-19,338	-18,894	-19,210
Result from joint ventures	18,433	12,436	916
<i>thereof from the sale of InterContinental hotel Warsaw</i>	<i>11,580</i>	<i>–</i>	<i>–</i>
Pre-tax profit	8,930	7,077	-3,038
<b>Profit for the year</b>	<b>9,665</b>	<b>7,240</b>	<b>-2,036</b>

\* retrospectively adjusted



## Development of revenues

Business with the operation of hotels continued to develop positively in 2012. After a very difficult year in 2009, conditions improved considerably in 2010 and 2011, and this trend continued in 2012. Conditions on Warimpex's core hotel markets remained varied. Revenues in the Western European markets of Munich, Berlin and Paris grew again. Revenues in the Czech Republic and especially Prague also improved substantially again after the two very lean years in 2009 and 2010. The sales growth in Poland also varied from region to region. While sales increased substantially at the hotels in Warsaw and the InterContinental hotel had its best year ever, growth rates in secondary cities were not nearly as robust but were nevertheless positive. The three hotels in Russia also performed very well, and sales revenues at the angelo in Ekaterinburg were up by roughly 50 per cent in 2012.

About 85 per cent of revenues come from the operation of hotel properties, and 15 per cent come from the Development and Asset Management segment. During the reporting period, revenues from the sale of properties pertained mostly to joint ventures. This revenue, especially from the sale of the InterContinental hotel in Warsaw, is not recognized in the operating result (EBIT), but in the result from joint ventures.

Consolidated revenue increased by 13 per cent from EUR 64.9 million to EUR 73.6 million in financial year 2012. Sales revenues from hotel operations increased from EUR 58.6 million in 2011 to EUR 62.4 million, primarily due to general revenue growth across the portfolio but especially in Prague and Ekaterinburg.

Revenues from the rental of offices and the provision of development services increased from EUR 6.3 million to EUR 11.2 million. While revenues from the rental of offices remained constant, revenues in the Development sub-segment rose as a result of the progress of construction for the Le Palais office building in Warsaw.

## Earnings situation

Warimpex recognizes its tangible non-current assets at the lower of cost minus depreciation or fair value. Increases in the value of real estate beyond the amortized cost are not recognized in profit or loss every year. Any such value increases are not recognized until the asset is actually sold. As a result, earnings are highly dependent on the sale of properties and fluctuate significantly.

The typical strategy of a "hybrid" real estate company is to develop projects, operate and manage them upon completion and then sell them on, depending on the market situation and degree of maturity, as soon as the highest foreseeable value-added can be realized.

## Income from the sale of properties

Unlike in the previous year, no material property sales took place for the fully consolidated companies.

The changes in the holdings relate primarily to tenant finishing work for the Le Palais office building in Warsaw, which was incurred for the first time in the financial year.

### EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) fell by 14 per cent from EUR 12.5 million in 2011 to EUR 10.8 million. This decrease can above all be attributed to lower earnings from the sale of fully consolidated project companies and properties (minus EUR 2.8 million), even with significantly higher earnings in the Hotels & Resorts segment due to improved sales revenues on a fully consolidated basis. It is also important to note that the earnings contribution from the sale of the InterContinental hotel is not recognized in the EBITDA, but in the pre-tax result and net result for the period.

### EBIT

Property values are increasingly stabilizing on the Eastern European markets. Thanks to the fact that better occupancy rates were allowing the fair values of its hotels to stabilize, the Company was able to reverse impairment charges from previous years in the amount of EUR 8.9 million (2011: EUR 12.9 million). Nevertheless, impairment charges in the amount of EUR 1.3 million (2011: EUR 3.6 million) and scheduled write-downs of EUR 10.9 million (2011: EUR 12.1 million) were recognized in the period.

Because of the decreased level of write-ups and lower revenue from the sale of properties from fully consolidated companies, EBIT fell from EUR 9.7 million to EUR 7.4 million despite the significant increase in revenues from the fully consolidated Hotels & Resorts segment.

### Financial result

The financial result (including the result from joint ventures) improved noticeably from minus EUR 2.6 million to plus EUR 1.5 million. Interest on current account loans, long-term project financing and other loans, and convertible bonds increased from EUR 15.2 million in 2011 to EUR 16.7 million in 2012.

Non-cash losses of EUR 1.4 million (2011: EUR 2.2 million including losses from derivative financial instruments) in connection with the PLN-denominated bond and CHF-denominated loans had a negative impact on the financial result for the period.

The result from joint ventures grew from EUR 12.4 million to EUR 18.4 million, above all because of the higher impairment reversals on loans (2012: EUR 13.5 million, 2011: EUR 9.9 million) and the sale of the InterContinental hotel in Warsaw (profit contribution: EUR 11.6 million).

### Profit for the year

The Warimpex Group's profit for the year improved from EUR 7.2 million to EUR 9.7 million in annual comparison. This improvement was mainly due to the better performance of the hotels and a higher profit from joint ventures, but was reduced by lower impairment reversals and gains from the sale of real estate.

## Segment reporting

For more information, see the detailed comments in Note 5. Segment information.

The Warimpex Group has defined the segments Hotels & Resorts and Development & Asset Management. The joint ventures that are recognized using the equity method in the consolidated financial statements are included in the segment report using the proportionate consolidation method. The Hotels & Resorts segment is comparable with the hotels and/or hotel rooms held by the Group as consolidated entities in the reporting year (with the joint ventures recognized on a proportionate basis). The Development & Asset Management segment contains profits resulting from the letting of investment property and profits from the sale of real estate.

### Hotels & Resorts segment\*

EUR '000	2012	2011	2010
Revenues for the Group	112,481	103,443	96,364
Average number of hotel rooms for the Group**	3,637	3,556	3,519
Group NOP	28,657	26,226	21,844

\* Including all joint ventures on a proportionate basis

\*\* See Note 5.1., "Hotels & Resorts segment"

Sales revenues from hotels grew at a significantly higher rate in the reporting period than in 2009, 2010 and 2011. The average number of available rooms grew by 2 per cent to 3,637, while sales revenues from hotel operations increased by 9 per cent from EUR 103.4 million to EUR 112.5 million.

The net operating profit (NOP, which corresponds to the gross operating profit [GOP] calculated according to the Uniform System of Accounts for the Lodging Industry less costs after GOP) improved by 9 per cent to EUR 28.7 million.

### Development & Asset Management segment\*

EUR '000	2012	2011	2010
Revenues for the Group	12,756	7,388	6,799
Segment EBITDA	8,709	-627	5,774

\* Including all joint ventures on a proportionate basis

Revenues in the Development & Asset Management segment rose by 73 per cent to EUR 12.8 million. This improvement can primarily be attributed to development revenues in connection with the completion of the Le Palais office building in Warsaw. 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.

Warimpex sold its 50 per cent stake in the InterContinental hotel in Warsaw in the 2012 financial year at a profit of EUR 11.6 million.

Warimpex sold its 25 per cent share in Sobieski Hotel in 2011. The profit from this transaction was EUR 1.9 million. At the end of 2011, Warimpex sold its 50 per cent share in the budget hotel development joint venture to its joint venture partner. The profit from this transaction was roughly EUR 1.0 million.

## Financial position

Consolidated balance sheet EUR '000	2012	2011	2010
<b>Assets</b>			
Non-current assets	369,374	393,951	377,947
Current assets	22,218	18,334	16,859
Assets of a disposal group	24,839	–	–
<b>Total assets</b>	<b>416,431</b>	<b>412,285</b>	<b>394,806</b>
<b>Equity and liabilities</b>			
Issued capital	54,000	54,000	54,000
Retained earnings and reserves	35,716	25,382	19,767
Minority interests	-664	-2,800	-3,956
<b>Total equity</b>	<b>89,052</b>	<b>76,582</b>	<b>69,811</b>
Non-current liabilities	205,217	243,269	240,489
Current liabilities	108,513	92,434	84,505
Liabilities of a disposal group	13,649	–	–
<b>Total liabilities</b>	<b>327,379</b>	<b>335,703</b>	<b>324,995</b>
<b>Total equity and liabilities</b>	<b>416,431</b>	<b>412,285</b>	<b>394,806</b>

Warimpex being a property developer, the assets side of the balance sheet is dominated by property, plant and equipment. As two thirds of the properties held by the Warimpex Group are financed via long-term project loans, non-current debt makes up the majority of the liabilities side of the balance sheet.

The Group's equity ratio rose by 2 percentage points to 21 per cent year-on-year. In view of the fact that Warimpex carries property, plant and equipment at cost less depreciation and amortization, a comparison of the Group's equity ratio with that of other real estate companies is possible only to a limited extent. Assuming that the real estate assets are recognized at their fair values, the equity ratio would be 33 per cent (2011: 32 per cent) (NAV/adjusted balance sheet total).

## Cash flows

Consolidated cash flow statement EUR '000	2012	2011	2010
Cash receipts from operating activities	75,910	66,019	58,782
Cash payments from operating activities	-59,586	-57,810	-52,286
<b>Net cash flow from operating activities</b>	<b>16,324</b>	<b>8,209</b>	<b>6,496</b>
Net cash flows from investing activities	19,128	-1,521	-1,009
Net cash flows in/from financing activities	-34,909	-6,606	-5,495
<b>Cash and cash equivalents at end of year</b>	<b>7,369</b>	<b>7,016</b>	<b>7,292</b>

### Cash flows from operating activities

The cash flow from operating activities improved substantially from EUR 8.2 million in the 2011 financial year to EUR 16.3 million in the reporting period. The net operating cash flow increased significantly in the Hotels & Resorts segment and in the Development & Asset Management segment.

While cash payments for the operation of hotels and the letting of office buildings develop at about the same rate as cash receipts from operating activities, cash payments for project development may be subject to pronounced annual fluctuations.

For more information, see the detailed comments in Note 5.1. Segment information.

### Net cash flows from investing activities

The net cash inflows from investment activities pertain primarily to payments for investments in property, plant and equipment (EUR 2.7 million) offset by payments received from joint ventures (EUR 21.6 million), the majority of which was capital received from the sale of the InterContinental hotel in Warsaw.

### Cash flows from financing activities

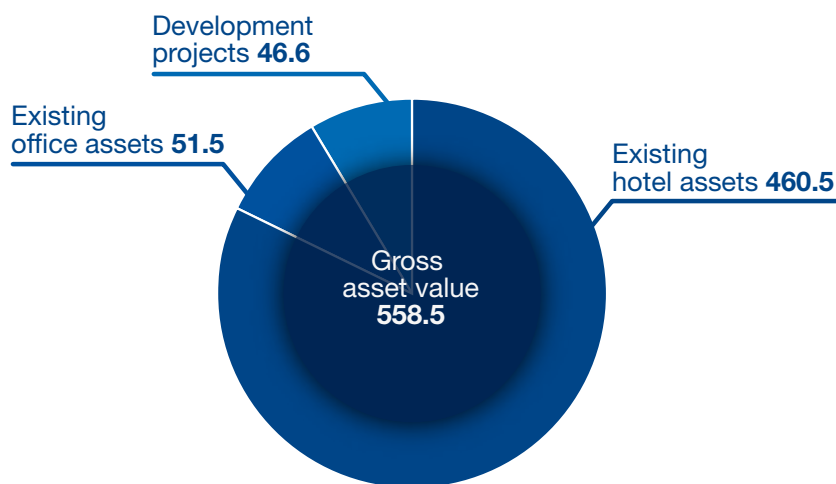
The change in the cash flows from financing activities can primarily be attributed to the lower level of new loans taken out compared with the previous year and the higher repayment of loans in the amount of EUR 29 million.

## REAL ESTATE ASSETS

On 31 December 2012, the real estate portfolio of the Warimpex Group comprised twenty-one hotels with over 5,000 rooms (3,481 rooms when adjusted for the proportionate share of ownership) plus five office properties with a total lettable floor area of roughly 43,000 square metres (30,000 square metres when adjusted for the proportionate share of ownership).

### Calculation of gross asset value and net asset value

#### Gross Asset Value



Because of the provisions of IAS 40.12 pertaining to owner-operated hotels, Warimpex recognizes its hotel properties according to IAS 16 at cost less depreciation and amortization. Any increases in the value of other properties are not recognized in the profit in the respective reporting period, but are measured using the cost model according to IAS 40.56. To allow comparison with other real estate companies that report unrealized profits, Warimpex reports the triple net asset value (NNNAV) in its group management report.

All existing real estate and development projects are valued twice annually (on 30 June and 31 December) by the international independent real estate appraiser CB Richard Ellis (CBRE).

The fair values are determined in accordance with the valuation standards of the Royal Institute of Chartered Surveyors. The fair value of a property is the price at which it could be exchanged in a current transaction between two knowledgeable, unrelated and willing parties. The real estate appraiser uses the discounted cash flow (DCF) approach to calculate the fair values of the properties.

For information on the yield, please see Note 2.04. to the consolidated financial statements.

Warimpex's gross asset value came in at EUR 558.5 million on 31 December 2012 (2011: EUR 605.2 million), of which EUR 225.2 million (2011: EUR 272.6 million) can be attributed to joint ventures. This decrease is above all the result of the sale of the InterContinental hotel in Warsaw. The Group's triple net asset value (NNNAV) rose slightly in annual comparison from EUR 172.6 million in 2011 to EUR 172.7 million on 31 December 2012.

The triple net asset value (NNNAV) is as follows:

in EUR m	12/2012		12/2011	
Equity before minority interests		89.7		79.4
Goodwill		-0.9		-0.9
Deferred tax assets	-0.5		-0.4	
Deferred tax liabilities	12.1	11.6	12.4	12.0
Book value of existing hotel assets	266.6		268.6	
Fair value of existing hotel assets	308.1	41.5	306.8	38.1
Book value of existing office property assets (investment properties)	15.3		13.9	
Fair value of existing office property assets (investment properties)	16.1	0.8	14.4	0.5
Book value of development projects	9.2		8.1	
Fair value of development projects	9.2	-	11.5	3.4
Book value of joint ventures	84.9		92.3	
Fair value of joint ventures	114.9	30.0	132.4	40.1
<b>Triple net asset value</b>		<b>172.7</b>		<b>172.6</b>
Number of shares on 31 December		54.0		54.0
<b>NNNAV per share in EUR</b>		<b>3.2</b>		<b>3.2</b>



## MATERIAL RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

As an international group, Warimpex is exposed to various economic and financial risks as part of its daily operations.

### (a) General

As part of its risk management system, Warimpex has set internal risk management targets for the Management Board and Company staff and adapts these targets to the prevailing market conditions. These risk management targets include special regulations and define responsibilities for risk assessment, control mechanisms, monitoring, information management and communication within the Company and with external parties.

There is a clearly defined organization within Warimpex and especially within the Management Board that governs responsibilities and authorizations in this connection to enable risks to be identified at an early stage and appropriate action to be taken. The Management Board's guidelines and the guidelines for the Supervisory Board define the responsibilities and obligations of the Company's bodies.

### (b) Operating risks

In the Hotels & Resorts segment, Warimpex is exposed to the general risks inherent to the tourism industry such as economic fluctuations, political risks and increasing fear of terrorist attacks. There is the risk that competitors may enter the Group's target markets, thereby increasing the number of beds available.

In addition, there are interest rate risks and financing risks which might have an impact on the Company's ability to finance or sell properties.

More details on risk management targets and methods in connection with financial instruments as well as information on existing interest rate, currency, default and liquidity risks and derivative instruments used by the Group are provided in Notes 25 and 26 to the consolidated financial statements.

The Development & Asset Management segment is exposed to finance and currency risks, interest rate risks, market entry risks and the risk of delays in the completion of construction work on real estate projects. In addition, there are risks of rent default which may impact both on the current cash flow and on real estate valuation.

The Group invests in real estate in a limited number of countries, and is therefore exposed to increased risk that local conditions such as an excess supply of properties can affect the development of business. Owing to its focus on real estate development and real estate holdings, the Group's performance is heavily dependent on the current situation in the real estate markets. Price slides in the real estate market could therefore affect the Group significantly and also influence real estate financing.

Real estate maintenance is a key aspect in the sustainable economic development of the Warimpex Group. Property and facility managers therefore submit status reports to the Management Board at regular intervals together with projections for the optimum maintenance of the properties.

### (c) Foreign exchange and financing risks

Aside from derivative forms of financing, the most significant financial instruments used by the Group are current account and bank loans, and cash, cash equivalents and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The Group also enters into derivatives transactions which are intended to reduce the Group's exposure to interest rate risk. The Group's risk management policies provide for a risk-oriented relationship between fixed-rate and variable-rate financial liabilities. The risk of fluctuations in market interest rates (usually the EURIBOR) to which the Group is exposed results primarily from its variable-rate long-term financial liabilities. Warimpex uses derivative financial instruments to manage this risk.

The financial market crisis, and especially the failure of key investment banks and the government acquisition of shares in a large number of other banks that began in the middle of September 2008 has caused a large degree of uncertainty in the world economy and the real estate market. Since 2011/2012, the growing debt of some EU countries has led to a euro crisis that is having an impact on the economic recovery in all of Europe. These events also caused significant uncertainty with regards to what market participants will do. If these events repeat themselves or continue, prices and value developments can be subject to higher volatility. The risk of insufficient liquidity also means that it may be difficult to successfully sell properties on the market depending on the prevailing conditions.

Many experts believe that the real estate transaction market is out of the woods, and the paralysis that had the markets firmly in its grip at the end of 2008 and beginning of 2009 has abated. This is definitely a positive sign. It has again become possible and probable that assets can be sold at acceptable prices. A number of sales transactions are still being prepared. The InterContinental hotel in Warsaw was successfully sold in 2012.

As of 31 December 2012, the consolidated financial statements showed current financial liabilities (interest-bearing loans and borrowings) in the amount of EUR 80.8 million. The refinancing agreement arranged for the two hotels in Ekaterinburg in February 2013 converted EUR 37 million of this into long-term obligations. A PLN-denominated bond with a volume of roughly EUR 15.3 million and a PLN-denominated convertible bond with a volume of roughly EUR 6.4 million were also placed in March 2013. Nevertheless, it will be necessary to extend or refinance operating credit lines or to convert them into long-term financing in the next twelve months. The issue of a further bond or further convertible bond is an option for financing in this context. Projects can also be sold to obtain liquidity.

#### **(d) Reporting on key characteristics of the internal control system and the risk management system as relevant for the accounting process**

The Management Board bears overall responsibility for the Group's risk management system, while operational responsibility lies with the managers of the respective business units.

This makes the internal reports that are submitted to Group headquarters particularly important in ensuring that risks are recognized at an early stage so that suitable countermeasures can be taken. To this end, the operating units submit weekly and monthly reports to the Management Board with all necessary information.

The Group has enacted uniform standards for all subsidiaries governing the implementation and documentation of the entire internal control system, and therefore also the accounting process in particular. This is intended to prevent the risks that can lead to incomplete or erroneous financial reporting.

The internal reports that are prepared by the subsidiaries are also subjected to plausibility reviews at the Group headquarters and are compared with the planning calculations to ensure that suitable countermeasures can be taken in the event of deviations. To this end, the companies are required to submit annual budgets and medium-term plans, which must be approved by the Management Board.

The correctness of the accounts at the subsidiaries is monitored by the hotel managers (such as Vienna International, InterContinental Hotel Group, Golden Tulip) as well as by the Group holding company. The annual financial statements of all operating hotel companies are also reviewed by external financial auditors.

The risk management system is primarily monitored by the Management Board, and compliance with the prescribed risk management targets and methods in the preparation of quarterly and annual financial statements is ensured by the following units and individuals:

- Management Board, especially the Chief Financial Officer
- Group accounting department
- Audit Committee (only for annual financial statements)

The current development of business and foreseeable opportunities and risks are discussed at regular meetings between the Management Board and local managers.

Quarterly financial statements are prepared by the Group accounting department in accordance with IAS 34, Interim Financial Reporting, reviewed by the Chief Financial Officer and then approved for publication by the Management Board. The annual financial statements and consolidated annual financial statements are studied and approved by the Supervisory Board and by the Audit Committee before they are published.

## HUMAN CAPITAL

The Warimpex Group's staff are a key factor in its success.

Particularly in the hotel sector, well qualified, service-oriented staff are crucial to an establishment's reputation and, as a consequence, have a decisive impact on its occupancy rates. The Group's experienced asset managers also play a key role in Warimpex's success. The fact that the Development & Asset Management segment has seen extremely low employee turnover over the past few years is an indication of the good working atmosphere.

With a view to constantly expanding the key skills and capabilities of its employees, Warimpex places great emphasis on continuing education and training. The Group has especially high requirements for all of its managerial staff in terms of commitment to quality, well founded technical expertise and flexibility.

In the reporting period, an average of 1,562 (2011: 1,562) employees worked for the Hotels & Resorts segment and 59 (2011: 56) in the Development & Asset Management segment (including Group headquarters).

## SUSTAINABILITY

The Warimpex Group's real estate development projects and the operation of its properties have an impact on the social, ecological and economic environments in which it does business. Because of this, the Company bears great responsibility. It has firmly anchored the fulfilment of this responsibility into its corporate culture, and sees living up to this responsibility as a central element in its success. This applies to new and existing buildings. In the further development of existing hotel and office buildings, we attach considerable importance to compliance with the requirements for the preservation of the historic features of the properties.

## DISCLOSURES PURSUANT TO § 243A UNIFORM COMMERCIAL CODE

The share capital of Warimpex Finanz- und Beteiligungs AG amounts to EUR 54,000,000 and is divided into 54,000,000 non-par-value bearer shares.

The Management Board is aware of no limitations on voting rights or the transfer of shares.

The following shareholders each hold interests amounting to more than 10 per cent of the Company's share capital:

Georg Folian	14.1%
Franz Jurkowitsch	14.0%
Bocca Privatstiftung	10.6%
Amber Privatstiftung	10.6%

The Annual General Meeting on 11 June 2012 authorized the Management Board to increase the capital stock of the Company by up to EUR 5,400,000 through the issue of up to 5,400,000 new shares, including the partial or entire preclusion of subscription rights, within five years, subject to the approval of the Supervisory Board.

At the end of April and the end of May 2011, convertible bonds with a total nominal value of approximately PLN 66.3 million (roughly EUR 16.1 million) and a denomination of PLN 250,000 were successfully placed with a term of three years and a coupon of 8.5 per cent p.a., payable semi-annually. The conversion price was set at PLN 12.79 (roughly EUR 3.10). This bond grants the right of exchange or subscription for up to 5,179,828 bearer shares in the Company (contingent capital 1).

The Annual General Meeting on 11 June 2012 authorized the Management Board to issue convertible and/or warrant bonds granting the right of conversion or share subscription for up to a total of 9 million shares within five years, subject to the approval of the Supervisory Board (contingent capital 2). The subscription right of the existing shareholders was precluded.

At the beginning of March 2013, a bond with a total nominal value of approximately PLN 63.1 million (roughly EUR 15.3 million), a denomination of PLN 1,000 per certificate (roughly EUR 243) and a term of three years was floated. The bond will be repaid at 100 per cent of its nominal value at the end of the term. The certificates feature a coupon of the six-month WIBOR plus a premium, payable on 30 September and 31 March of every year after issue. The interest premium, which was set after the subscription period, is 7 per cent p.a.

Part of the bonds issued in March with a nominal value of PLN 26.75 million (roughly EUR 6.5 million) was purchased by holders of the convertible bond issued by the Company in 2011, which matures in May 2014; these holders exchanged their convertible bond certificates for this new issue.

At the end of March 2013, convertible bonds with a total nominal value of PLN 26.5 million (roughly EUR 6.4 million) and a denomination of PLN 250,000 were successfully placed with a term of three years and a coupon of 4.875 per cent p.a., payable semi-annually. The conversion price was set at PLN 7.06 (roughly EUR 1.70). This bond grants the right of exchange or subscription for up to 3,753,541 bearer shares in the Company (contingent capital 2).

Holders of the 2011 convertible bond which matures in May 2014 purchased part of the convertible bond issued in March 2013 with a nominal value of PLN 6.5 million (roughly EUR 1.6 million); they returned their shares in the 2011 convertible bond in exchange for shares in the new convertible bond. Another PLN 6.5 million (roughly EUR 1.6 million) of the 2011 convertible bond was also repaid early.

This means that there are convertible bond shares from 2011 with a nominal value of PLN 26.5 million (roughly EUR 6.4 million) outstanding that grant the holders the right of exchange or subscription for up to 2,071,931 bearer shares in the Company.

A buyback programme began on 21 July 2008 and ran until the end of 2008, with the acquisition price range set at EUR 3.00 to EUR 8.00. As of 31 December 2008, a total of 66,500 shares had been purchased at an average price of EUR 4.53. This corresponds to 0.18 per cent of the capital stock.

At the Annual General Meeting on 11 June 2012, the Management Board was authorized to purchase shares in the Company up to the maximum amount permitted by law of 10 per cent of the total capital stock within a period of thirty months after the passing of the motion. The purposes for which the purchased shares may be used were also specified. In addition to being held as treasury shares, they can be sold or given to employees of the Company or of an associated company. The shares can also be used to service the convertible and/or warrant bonds or as payment for the purchase of real estate, business entities, business operations, or shares in one or more companies in Austria or abroad, or can be sold at any time on the exchange or through a public offer, and can be sold by any other legal means, including outside of the stock exchange, for a period of five years after the adoption of the resolution.

Apart from the above there are no further particulars that must be disclosed pursuant to § 243a Uniform Commercial Code.

## EVENTS AFTER THE BALANCE SHEET DATE

Regarding material events after the balance sheet date reference is made to item 27 in the Notes to the consolidated financial statements.

## OUTLOOK

The following properties were classified as held for short-term sale. It is planned to sell them by the end of 2013, and some of them were sold after the reporting date:

- Joint venture share in Leuchtenbergring, Munich:  
The stake was sold to the joint venture partner at the beginning of January 2013.
- Palace Hotel, Prague: The sale is planned and is currently under preparation.

The following development projects are currently under construction:

- Airport City, St. Petersburg, business park and an additional 15,000 square metres of office space
- Erzsébet office tower II, Budapest, 8,000 square metres of office space

Warimpex successfully placed a bond and a convertible bond on the Polish capital market in the first quarter of 2013. The issue proceeds of EUR 21.8 million are earmarked for the refinancing of existing obligations and for bolstering the Company's financing structure, and will also provide the necessary flexibility to seize investment opportunities under the current market conditions and to finance future development projects. The focus in this will be on the second construction phase of Airport City in St. Petersburg and on the conversion of an office building in Budapest.

Under the current market conditions – particularly in light of the the difficulty of securing project financing – we want to continue focusing on strengthening the Company's base in 2013 as well as increasing cash flows from hotel operations and optimizing the financing structure through refinancing measures and the sale of equity interests.

Vienna, 24 April 2013



**Franz Jurkowitsch**

Chairman of the Management Board



**Georg Folian**

Deputy Chairman of the Management Board



**Alexander Jurkowitsch**

Member of the Management Board

## CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year from 1 January to 31 December 2012

EUR	Note	2012	2011
<b>Revenues</b>			
Revenues – Hotels & Resorts segment		62,382,055	58,612,991
Revenues – Development & Asset Management segment		11,226,664	6,311,780
	6.01.	<b>73,608,719</b>	<b>64,924,772</b>
<b>Income from the sale of properties</b>			
Gains from the sale of real estate		334,195	12,252,625
Carrying values, costs in connection with sales		(122,500)	(9,234,468)
	[04]	<b>211,695</b>	<b>3,018,156</b>
<b>Other income and expenses</b>			
Changes in real estate projects under development or construction	[15]	1,080,761	–
Other income		–	1,007,443
		<b>1,080,761</b>	<b>1,007,443</b>
Expenses for materials and services rendered	6.02.	(27,974,234)	(26,992,040)
Expenses for project development	6.02.	(9,132,211)	(3,000,771)
Personnel expenses	6.03.	(19,235,068)	(18,756,421)
Depreciation and amortization on property, plant and equipment, investment properties and intangible assets	6.04.	(10,927,055)	(12,061,178)
Impairment of property, plant and equipment and investment properties	6.04.	(1,339,048)	(3,629,957)
Impairment reversals on property, plant and equipment and investment properties	6.04.	8,893,642	12,861,965
Other expenses	6.05.	(7,772,958)	(7,709,635)
		<b>(67,453,442)</b>	<b>(59,288,038)</b>
<b>Operating profit</b>		<b>7,414,242</b>	<b>9,662,333</b>
Financial revenue	6.07.	2,420,946	3,872,994
Finance costs	6.06.	(19,338,397)	(18,894,065)
Result from joint ventures	13.3.	18,433,048	12,435,537
<i>thereof from the InterContinental hotel Warsaw asset deal</i>	4.01.	<i>11,580,357</i>	–
<b>Profit before tax</b>		<b>8,929,839</b>	<b>7,076,798</b>
Income tax	[07]	(542,680)	(324,316)
Deferred income tax	[07]	1,277,798	488,001
<b>Profit for the period</b>		<b>9,664,958</b>	<b>7,240,484</b>
Foreign currency translation		398,921	(742,423)
Losses from hedging		(55,366)	(138,916)
Other result from joint ventures		(24,774)	–
Gains from the sale of available-for-sale financial assets	[16]	3,290,631	–
(Deferred) taxes recognized in equity		(804,148)	22,340
<b>Other income/expense</b>	[19]	<b>2,805,263</b>	<b>(858,999)</b>
<b>Total income and expenses for the period</b>		<b>12,470,221</b>	<b>6,381,485</b>
Profit for the period attributable to:			
- Equity holders of the parent		7,587,197	6,478,723
- Non-controlling interests		2,077,761	761,761
		<b>9,664,958</b>	<b>7,240,484</b>
Total income/expenses for the period attributable to:			
- Equity holders of the parent		10,334,049	5,149,169
- Non-controlling interests		2,136,172	1,232,316
		<b>12,470,221</b>	<b>6,381,485</b>
Earnings per share:			
Undiluted, for the profit for the period attributable to ordinary equity holders of the parent	[08]	0.14	0.12
Diluted, for the profit for the period attributable to ordinary equity holders of the parent	[08]	0.14	0.12



# CONSOLIDATED BALANCE SHEET

on 31 December 2012

EUR	Note	2012	2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	[09]	256,568,642	277,149,161
Investment properties	[10]	15,198,222	13,562,844
Goodwill	[12]	921,266	921,266
Other intangible assets	[11]	123,556	219,470
Joint ventures	[13]	84,936,203	92,252,489
Other financial assets	[14]	11,077,694	9,493,936
Deferred tax assets	[07]	548,765	351,654
		<b>369,374,348</b>	<b>393,950,821</b>
<b>Current assets</b>			
Inventories	[15]	1,958,116	1,497,460
Trade and other receivables	[17]	5,835,074	5,825,035
Financial instruments available for sale	[16]	7,279,433	3,988,802
Other financial assets	26.3.	2	6,795
Cash and short-term deposits	[18]	7,144,968	7,015,958
		<b>22,217,593</b>	<b>18,334,050</b>
Assets of a disposal group classified as held for sale	[04]	24,838,793	–
		<b>47,056,386</b>	<b>18,334,050</b>
<b>TOTAL ASSETS</b>		<b>416,430,734</b>	<b>412,284,871</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity attributable to equity holders of the parent</i>			
Issued capital	[08]	54,000,000	54,000,000
Capital reserves		17,131,207	71,387,604
Retained earnings		15,046,280	(46,797,314)
Treasury shares	[08]	(301,387)	(301,387)
Other reserves	[19]	3,839,897	1,093,045
		89,715,998	79,381,948
<i>Non-controlling interests</i>		(663,977)	(2,800,148)
<b>Total equity</b>		<b>89,052,021</b>	<b>76,581,800</b>
<b>Non-current liabilities</b>			
Convertible bonds	22.1.	15,396,168	13,774,416
Interest-bearing loans and borrowings	22.2.	172,506,498	212,224,507
Provisions	[20]	4,431,127	4,017,065
Other payables	[21]	773,731	866,610
Deferred tax liabilities	[07]	12,109,847	12,386,386
		<b>205,217,370</b>	<b>243,268,983</b>
<b>Current liabilities</b>			
Trade and other payables	[21]	25,145,363	16,385,504
Interest-bearing loans and borrowings	22.2.	80,771,904	72,414,075
Derivative financial instruments	26.3.	1,280,393	2,199,317
Income tax payable		143,457	104,575
Provisions	[20]	1,171,465	1,330,616
		<b>108,512,582</b>	<b>92,434,087</b>
Liabilities directly associated with the assets classified as held for sale	[04]	13,648,761	–
		<b>122,161,343</b>	<b>92,434,087</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>416,430,734</b>	<b>412,284,871</b>

# CONSOLIDATED CASH FLOW STATEMENT

for the financial year from 1 January to 31 December 2012

EUR	Note	2012	2011
<b>Cash receipts from operating activities</b>			
From the operation of hotels and rent received		64,974,717	62,271,660
From real estate development projects		10,781,827	3,681,605
Interest received		153,108	65,508
		<b>75,909,651</b>	<b>66,018,772</b>
<b>Cash payments for operating activities</b>			
For real estate development projects		(8,576,379)	(2,093,353)
For materials and services received		(26,285,468)	(28,023,352)
For personnel and related expenses		(18,318,341)	(19,080,217)
For other expenses		(6,217,523)	(8,143,175)
For income taxes		(188,139)	(469,738)
		<b>(59,585,850)</b>	<b>(57,809,834)</b>
<b>Net cash flow from operating activities</b>		<b>16,323,300</b>	<b>8,208,938</b>
<b>Net cash flows from investing activities</b>			
Cash paid for			
the acquisition of property, plant and equipment		(2,735,935)	(2,764,887)
the acquisition of investment properties		(5,999)	(129,586)
the acquisition of available-for-sale investments		–	(1,078,982)
the acquisition of software		(906)	(25,262)
other financial assets		(738,931)	72,107
joint ventures	13.4.	–	(9,550,648)
		<b>(3,481,771)</b>	<b>(13,477,259)</b>
<b>Cash receipts from</b>			
the sale of disposal groups and real estate		5,000	9,097,192
less cash and cash equivalents of disposal groups		–	(6,829)
the satisfaction of purchase price claims and sales transactions from previous periods		1,018,158	371,078
the sale of available-for-sale investments		–	1,120,394
the return of joint ventures	13.4.	21,586,794	1,374,440
		<b>22,609,952</b>	<b>11,956,275</b>
<b>Net cash flow from investing activities</b>		<b>19,128,181</b>	<b>(1,520,984)</b>
<b>Cash flows from financing activities</b>			
Payments received from and made to minority interests		–	(76,649)
Cash received from the issue of convertible bonds		–	16,554,991
Proceeds from loans and borrowings	22.3.	8,890,284	16,181,186
Repayment of loans and borrowings	22.3.	(29,028,729)	(24,234,889)
Interest and other finance costs paid		(14,770,936)	(15,030,220)
<b>Net cash flow for financing activities</b>		<b>(34,909,381)</b>	<b>(6,605,582)</b>
Net change in cash and cash equivalents		542,601	82,373
Net foreign exchange difference		(189,478)	(358,460)
Cash and cash equivalents at 1 January		7,015,958	7,292,046
<b>Cash and cash equivalents at end of year</b>		<b>7,369,081</b>	<b>7,015,958</b>
Cash and cash equivalents at the end of the period break down as follows:			
Cash and cash equivalents of the Group		7,144,968	7,015,958
Cash and cash equivalents of a disposal group classified as held for sale		224,112	–
<b>Net cash flows from/used in financing activities</b>		<b>7,369,081</b>	<b>7,015,958</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year from 1 January to 31 December 2012

EUR	Issued capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Shares without minority interests		Total equity
						TOTAL		
<b>At 1 January 2011</b>	<b>54,000,000</b>	<b>70,921,626</b>	<b>(53,258,449)</b>	<b>(301,387)</b>	<b>2,405,011</b>	<b>73,766,801</b>	<b>(3,955,815)</b>	<b>69,810,986</b>
Issue of convertible bond	–	465,978	–	–	–	465,978	–	465,978
Other changes in minority interests	–	–	–	–	–	–	(76,649)	(76,649)
Profit for the period	–	–	6,478,723	–	–	6,478,723	761,761	7,240,484
Other income/expense	–	–	–	–	(1,311,966)	(1,311,966)	470,555	(841,411)
Total income and expenses for the period	–	–	6,461,135	–	(1,311,966)	5,149,169	1,232,316	6,381,485
<b>As of 31 December 2011 =</b>								
<b>1 January 2012</b>	<b>54,000,000</b>	<b>71,387,604</b>	<b>(46,797,314)</b>	<b>(301,387)</b>	<b>1,093,045</b>	<b>79,381,948</b>	<b>(2,800,148)</b>	<b>76,581,800</b>
Profit for the period	–	–	7,587,197	–	–	7,587,197	2,077,761	9,664,958
Other income/expense	–	–	–	–	2,746,853	2,746,853	58,411	2,805,264
Total income and expenses for the period	–	–	7,587,196	–	2,746,853	10,334,049	2,136,172	12,470,221
Release of capital reserves	–	(54,256,397)	54,256,397	–	–	–	–	–
<b>As of 31 December 2012</b>	<b>54,000,000</b>	<b>17,131,207</b>	<b>15,046,280</b>	<b>(301,387)</b>	<b>3,839,897</b>	<b>89,715,998</b>	<b>(663,977)</b>	<b>89,052,021</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year from 1 January to 31 December 2012

## [01] Corporate information

Warimpex Finanz- und Beteiligungs AG ("the Company" or "Warimpex") is registered with the Commercial Court of Vienna under the registration number FN 78485w. The Company's registered address is Floridsdorfer Hauptstrasse 1, A-1210 Vienna, Austria.

The audited consolidated financial statements of Warimpex Finanz- und Beteiligungs AG for the reporting year ended 31 December 2012 were authorized for release to the Supervisory Board by the Management Board on 25 April 2013. It is the duty of the Supervisory Board to review the consolidated financial statements and state whether the consolidated financial statements are approved.

The main activities of the Company are described in the segment report.

## [02] Basis for preparation

### 2.01. General

The consolidated financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. As a general rule, the consolidated financial statements have been prepared using the (amortized) historical cost of all assets; excepted from this rule are derivative financial instruments and available-for-sale financial investments, which are stated at fair value.

The consolidated financial statements are based on the going concern principle. The continued operation of the Company requires measures to secure liquidity; the implementation of these measures involves a certain degree of uncertainty. The Management Board of Warimpex assumes that it will be possible to secure sufficient liquidity through suitable measures to continue the operations of the Company. Please also see Note 25.4.

The Group's reporting currency is the euro. The consolidated financial statements are presented in full euros except where otherwise indicated. Rounding differences may arise from the summation of rounded figures.

Financial statements prepared in accordance with local accounting regulations were reconciled with IFRS and uniform group accounting guidelines by the Group's accounting department in Vienna. All companies included in the consolidated financial statements prepare their financial statements as of 31 December.

A list of all subsidiaries and joint ventures included in the consolidated financial statements is given in Note 3.

### 2.02. Changes in accounting policies

**2.02.a** The accounting policies were not changed during the reporting period. In 2011, the method of recognition for joint ventures was changed from the proportionate method to the equity method.

#### 2.02.b New and changed standards and interpretations

The applied recognition and measurement principles were not changed compared with the previous year. The following standards were adopted by the EU in 2012 and published on 6 June 2012 (amendments to IAS 1 and IAS 19) and on 29 December 2012 (all others). The Company intends to apply these standards starting at the time at which they come into force.

#### *Amendments to IAS 1 – Presentation of Items of Other Comprehensive Income*

The amendment to IAS 1 leads to a changed grouping of items reported under other comprehensive income. Items that will be transferred to the profit for the period at a later time must be reported separately from those that will not be transferred at a later time. This is not expected to have a material effect on the consolidated financial statements. The amended standard must be applied starting in financial years beginning on or after 1 July 2012.

*IAS 19 – Employee Benefits (amended)*

The amendments to IAS 19 pertain primarily to the elimination of the corridor method and new rules for the determination of income from plan assets. Neither of these changes has an effect on the consolidated financial statements.

*IAS 28 – Investments in Associates and Joint Ventures (amended)*

The name of the standard was changed in connection with the adoption of IFRS 11 and IFRS 12, and the rules in the standard were expanded to cover the application of the equity method to joint ventures. As the Company already began recognizing its joint ventures using the equity method in 2011, this results in no material changes in the consolidated financial statements. The standard must be applied starting in financial years beginning on or after 1 January 2013.

*Amendments to IAS 32, IFRS 7 – Offsetting Financial Assets and Liabilities*

The amendments pertain to clarifications and more precise rules regarding the settlement of financial assets and liabilities (IAS 32) and required information for settlement or settlement agreements, even if they are not shown as offsetting each other (IFRS 7), and are not expected to result in any material changes in the consolidated financial statements. The amended standards must be applied starting in financial years beginning on or after 1 January 2014.

*IFRS 10 – Consolidated Financial Statements, IAS 27 – Separate Financial Statements*

IFRS 10 replaces the provisions of the previous IAS 27 Consolidated and Separate Financial Statements for consolidated financial reporting and includes issues from SIC-12. IFRS 10 redefines the concept of control, which requires management to make significant judgements about the full consolidation of companies. A preliminary assessment has shown that this will not result in any material changes in the inclusion of companies in the consolidated financial statements. The standard must be applied starting in financial years beginning on or after 1 January 2013.

*IFRS 11 – Joint Arrangements*

This standard governs the recognition of joint ventures and joint operations. Both types of arrangements are based on joint control.

Joint arrangements are classified either as joint operations or joint ventures:

1. A joint operation is a joint arrangement with the parties that have joint control of the arrangement (joint operators) having rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are called joint operators.
2. A joint venture is a joint arrangement with the parties that have joint control of the arrangement (joint venturers) having rights to the net assets of the arrangement.

The classification of a joint arrangement as a joint operation or joint venture depends on the rights and obligations of the parties. Companies are required to assess the kind of arrangements that it is party to in consideration of the structure and form of the agreement, the contractual provisions agreed by the parties and other relevant facts and circumstances.

Regardless of the purpose, structure or form of the agreement, the classification of joint arrangements depends on the rights and obligations to which the parties are subject on the basis of the agreement.

A joint arrangement under which the assets and liabilities that are associated with the arrangement are kept in a separate vehicle can be a joint venture or a joint operation.

A joint arrangement that is not structured as a separate vehicle is a joint operation. In these cases, the recognition is based on the rights to assets and obligations to cover liabilities assigned to the parties in the agreement as well as the associated entitlement to proceeds and obligation to cover expenses from the arrangement.

Joint ventures are to be recognized solely by means of the equity method according to IAS 28. A preliminary analysis showed that this standard will have a minor effect on the consolidated financial statements because the joint ventures have already been recognized using the equity method. This standard must be applied starting in financial years beginning on or after 1 January 2013.

#### *IFRS 12 – Disclosure of Interests in Other Entities*

The disclosure requirements previously contained in IAS 27, IAS 28 and IAS 31 are combined in this standard together with new disclosures. We do not expect this standard to result in any material changes in the consolidated financial statements. This standard must be applied starting in financial years beginning on or after 1 January 2013.

#### *IFRS 13 – Measurement of the Fair Value*

The standard specifies uniform guidelines for the measurement of the fair value. Based on our preliminary assessment, we do not expect this to have a material effect on our assets, financial position or earnings position. This standard must be applied starting in financial years beginning on or after 1 January 2013.

The following standards and amendments to standards have already been published by the IASB, but have not yet been adopted by the EU:

- IFRS 9 – Financial Instruments
- Amendments to IFRS 1 (Government Loans)
- Improvement to IFRSs (from May 2012)

The effects of these standards and amendments on the consolidated financial statements will be assessed after they are adopted into EU law.

### **2.03. Basis of consolidation**

The consolidated financial statements comprise the financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies.

All intragroup receivables, payables, revenues and other income or expenses have been eliminated. Where intragroup receivables and loans have been discounted or impaired in separate financial statements, such provisions have been reversed. Unrealized results (profits) resulting from intragroup sales and other intragroup transactions have been eliminated from current and non-current assets.

Subsidiaries are included in the consolidated financial statements by full consolidation from the acquisition date, which is the date when the Group obtains control of the subsidiary. They continue to be consolidated until the date that the Group's control of the company ceases.

Business combinations are accounted for according to the purchase method. All subsidiaries that have to be consolidated have been included in the consolidated financial statements. For information on the accounting treatment of joint ventures, please see Note 2.05.

A minority interest is a share in the equity of a subsidiary that cannot be directly or indirectly attributed to its parent company. These interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent. Losses are also attributed to non-controlling shares when this results in a negative balance. Changes in interests in subsidiaries not leading to a loss of control over the subsidiary are recognized as equity transactions.

#### 2.04. Important accounting judgements and estimates

In preparing the consolidated financial statements of the Group it is necessary to estimate certain figures and make assumptions which influence the recording of assets and liabilities, the presentation of other obligations as of the balance sheet date and the recognition of revenues and expenses during the period. The actual figures which become known at a later date may differ from these estimates. This does not prevent the consolidated financial statements from providing a true and fair view of the Group's economic situation.

Please see Notes 2.01. and 25.4. for information about the liquidity raising measures needed for the continued operation of the Company.

The most important future-related assumptions and other sources of estimation uncertainties that existed as of the balance sheet date and which may constitute a source of considerable risk that substantial adjustments of the carrying values of assets and liabilities will have to be made in the subsequent reporting period are explained in detail below:

##### *Write-ups and impairment of property, plant and equipment, plant under construction and investment properties*

The Group performs semi-annual tests for the impairment of property, plant and equipment, plant under construction and investment properties. This requires the estimation of the recoverable amount. The recoverable amount is the higher of the value in use or fair value, less selling expenses. If the carrying amount of an asset is greater than the recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is estimated on the basis of an external valuation. Impairment charges that have been recognized are reversed when a valuation completed after the recognition of the last impairment charge indicates a higher recoverable amount. In this case, the carrying amount of the asset is written up to the recoverable amount. This amount may not exceed the carrying amount that would apply for the asset had scheduled depreciation but no impairment charges been applied up to the reporting date.

Because of better forecasts, impairment losses from previous years in the amount of EUR 8,893,642 were reversed during the reporting period. See also Note 6.04.

The value in use is calculated on the basis of the discounted anticipated future cash flows before taxes, discounted to the present value taking appropriate risk considerations into account.

The fair values of the properties were calculated by an external real estate appraiser using the discounted cash flow (DCF) approach.

For these assets, there is no material difference between the value in use and the fair value less selling expenses.

The recoverable amount depends heavily on the applied yield and the expected future cash inflows, as well as on the growth rate used for extrapolation purposes. All projections were subject to a higher level of uncertainty because of the financial and economic crisis. There was especially a high level of uncertainty with regards to the markets in Eastern Europe, and it may still be necessary to make significant changes in the carrying amounts of assets in the coming financial years.

The yield reflects current market valuations arising from uncertainties about the amounts and timing of future cash flows. The hotel yields for the calculation were as follows: for Poland between 7 per cent and 9.5 per cent (2011: 6.25 per cent to 9.5 per cent), for the Czech Republic between 7.5 per cent and 9 per cent (2011: 7.5 per cent to 9 per cent) and for Russia between 11 per cent and 12.5 per cent (2011: 11 per cent to 12 per cent).

The planning period is generally ten years plus the terminal value (residual value in year ten). The valuation includes a country-specific inflation rate.

A 0.5 per cent lower yield would increase the reversal of impairment charges by EUR 0.83 million, while a 0.5 per cent higher yield would increase the impairment charges by EUR 4.3 million.

If the expected cash flows were 10 per cent higher or lower, the impairment charges would change by EUR 2.3 million or minus EUR 16.7 million.

Please see Notes 9 and 10 for information on the carrying amounts of these assets.

*Deferred tax assets*

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the loss carryforwards of unused tax credits can be utilized. The amount of deferred tax assets is determined at the discretion of the management based on the expected time of occurrence and the amount of future taxable income as well as future tax planning strategies.

Other deferred tax assets are only shown in the balance sheet if tax plans for the individual taxable entity make it appear probable that the deferrals can actually be utilized.

On 31 December 2012, the value of all deferred tax assets amounted to EUR 40,339,871 (2011: EUR 42,985,179). Less value adjustments on deferred tax assets of EUR 26,657,320 (2011: EUR 29,773,434) and after balancing with the deferred tax liabilities of EUR 13,133,787 (2011: EUR 12,860,090), the Company reported a balance of EUR 548,765 (2011: EUR 351,654). See also Note 7.

**2.05. Interests in joint ventures**

Interests in other companies are classified as interests in joint ventures when there is joint control of the entity by two or more partners. The Group recognizes its interests in joint ventures using the equity method. See also Note 2.02.

In accordance with the equity method of accounting, the shares in joint ventures are recognized in the balance sheet at cost plus any changes in the share of net assets of the joint venture held by the Group. The goodwill associated with a joint venture is included in the carrying value of the respective interest and is not subject to regular amortization or impairment tests. The Group's share in the profit or loss of the associated company is recognized in the statement of comprehensive income.

Changes shown directly in equity of the joint venture are recognized in the amount of the Group's pro-rata share and shown in the consolidated statement of changes in equity where applicable. Gains and losses from transactions between the Group and the joint venture are eliminated in line with the Group's share in the joint venture.

The balance sheet dates and the accounting policies with regard to transactions and events that are similar in nature and occur under comparable circumstances are the same for the joint venture and the Group.

After applying the equity method, the Group determines whether or not it is necessary to recognize additional impairment charges for its interests in joint ventures. At every reporting date, the Group determines whether or not there are objective reasons to believe that the value of an interest in a joint venture may be lower than its carrying amount. If this is the case, the difference between the recoverable amount of the share in the joint venture and the carrying amount of the interest is recognized as an impairment charge on the statement of comprehensive income.

Allocated profits from the joint venture are added to the reported value of the interest, losses allocated from the joint venture are deducted up to the acquisition costs of the interest and losses allocated beyond this are recorded as impairment losses on extended loans.

If the reported value of and loans extended to a joint venture have been written down to zero because of the allocation of losses and if the proportionate equity in the joint venture is negative beyond this, an assessment is completed to determine whether provisions must be formed in connection with related liabilities or issued guarantees.

On 31 December 2012, provisions in the amount of EUR 1,037,347 (2011: EUR 976,801) had been formed for impending losses in connection with joint ventures. See also Note 20.2.

The financial statements of joint ventures are prepared for the same reporting period as that of the parent company, using consistent accounting policies. Adjustments are made to eliminate any differences in accounting policies that may exist.

Adjustments are made in the consolidated financial statements to eliminate the Group share of non-realized profits and losses from transactions between the Group and joint ventures. When the Group purchases assets from a joint venture, the Group does not recognize its share of the profits of the joint venture from the transaction until it resells the assets to an independent party. Joint ventures are recognized in the consolidated financial statements using the equity method until the joint management of the venture by the Group ceases.

The changes in the values of joint ventures are presented in Note 13.2.



## 2.06. Financial instruments

### 2.06.1. Financial instruments in general:

Financial assets within the meaning of IAS 39 are classified either as financial assets to be measured at fair value through profit or loss, as loans and receivables, or as available-for-sale financial assets. On initial recognition financial assets are measured at fair value. In the case of financial assets other than those classified as recognized at fair value through profit or loss, transaction costs directly attributable to the acquisition of the respective asset are additionally taken into account. Classification of financial assets into one of the stated categories is effected upon initial recognition.

#### *Financial assets measured at fair value through profit or loss:*

The category of financial assets measured at fair value through profit or loss includes all derivative financial instruments not held for hedging purposes.

#### *Loans and receivables:*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Following initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method and taking into account value impairments, if any. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

#### *Available-for-sale financial assets:*

Available-for-sale financial assets are any non-derivative financial assets that are designated on initial recognition as available for sale rather than assigned to one of the above categories. Following initial recognition available-for-sale assets are measured at fair value. Fair value changes are recognized directly in equity. The cumulative gain or loss that was recognized in equity is recognized in profit or loss when available-for-sale financial assets are derecognized.

### 2.06.2. Trade and other receivables

Trade receivables, which generally have a term of ten to ninety days, are recognized and carried at original invoice amount less impairment charges for any uncollectable amounts. An impairment charge is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### 2.06.3 Derecognition of financial assets and liabilities

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or the rights have been transferred.

If the Group has transferred its rights to receive cash flows from an asset and has retained all material risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

### 2.06.4. Impairment loss of financial assets

At each balance sheet date the Group assesses whether a financial asset or group of financial assets is impaired.

#### *Assets carried at amortized cost*

If there is objective evidence that an impairment loss has been incurred on assets carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognized in profit or loss.

Management first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Impairment losses of trade receivables are partly recognized using value adjustment accounts. The decision of whether a default risk is accounted for by means of a value adjustment account or a direct value adjustment of the receivables item depends on the degree of reliability to which the risk situation can be assessed.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any reversal of an impairment loss is recognized in the statement of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

#### *Available-for-sale financial assets*

On every reporting date, the Company determines whether there is evidence for impairment of the available-for-sale financial assets. For equity instruments classified as held for sale, a significant or lasting decline in the fair value below the cost of acquisition is considered to be such evidence. The criterion of "significant" is assessed on the basis of the original cost, while the criterion of "lasting" pertains to the period in which the fair value is less than the original cost.

The same principles as for financial assets recognized at amortized cost are applied for the determination of impairment of available-for-sale debt instruments.

If an available-for-sale asset is impaired, the cumulative loss is recognized on the statement of comprehensive income under financial expenses and deducted from the reserve for value changes for available-for-sale financial assets.

Reversals in respect of equity instruments classified as available for sale are not recognized in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in income.

#### *2.06.5. Financial liabilities*

Financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs, and subsequently at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

#### *2.06.6. Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

#### *The Group as lessee*

Finance leases, which essentially transfer to the Group all the risks and benefits incidental to ownership of the leased item, lead to the capitalization of the leased asset at its fair value at the inception of the lease or, if lower, at the present value of minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the statement of comprehensive income.

If the Group will obtain ownership at the end of the lease term, capitalized leased assets are fully depreciated over the estimated useful life of the asset.

Where there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, capitalized leased assets are fully depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments for operating leases are written down as an expense on the statement of comprehensive income over the term of the lease.

#### *The Group as lessor*

Leases under which all material risks and benefits incidental to ownership of the leased item are not transferred from the Group to the lessee are classified as operating leases.

The Group has concluded leases for the commercial letting of its investment properties. These have been classified as operating leases. The non-cancellable rental income amounts to: EUR 1.1 million for up to one year (2011: 1.2 million), up to three years EUR 0.3 million (2011: 0); there is no secured rental income for periods beyond this.

#### **2.06.7. Derivative financial instruments and hedging**

The Group uses derivative financial instruments. These are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

#### *Cash flow hedges*

These are instruments held to protect against the risk of fluctuations in cash flows associated with an asset or liability on the balance sheet, for example loans subject to variable interest, a risk that may materialize in connection with a forecast transaction, or the currency risk associated with a firm off-balance-sheet commitment.

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately on the statement of comprehensive income.

Amounts taken to equity are transferred to the statement of comprehensive income when the hedged transaction affects the statement of comprehensive income, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or a non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs. The same treatment applies when it is determined that the financial instrument no longer meets the criteria for hedge accounting.

#### **2.06.8. Fair value hierarchy**

The Group uses the following hierarchy for determining and reporting the fair values of financial instruments:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: methods for which all inputs that have a material determining influence on the fair price are directly or indirectly observable

Level 3: methods for which all inputs that have a material determining influence on the fair price are neither directly nor indirectly observable

## 2.07. Non-current assets held for sale

If individual disposal groups are classified as “held for sale”, all assets and liabilities are reclassified in accordance with IFRS 5. Assets are classified as held for sale when the associated carrying amount is based primarily on a sales transaction. It must be highly probable that the asset will be sold, and the asset or disposal group must be in an immediately saleable condition. Further criteria for classification as held for sale are related Management Board decisions and the expected sale within one year. The assets and liabilities of the subsidiary Hotel Palace s.r.o and the Company’s stake in the Leuchtenbergring joint venture were classified as held for sale in the reporting period and were depicted in accordance with IFRS 5.

Non-current assets (or disposal groups) that are classified as held for sale are recognized at the lower of the carrying amount or the fair value less selling costs.

No activities of a segment are related to the classification of this subsidiary as “held for sale”. Detailed information on the assets held for sale can be found in Notes 4.01. and 4.02.

## 2.08. Foreign currency translation

The financial statements of foreign companies are translated into euro according to the concept of functional currency. The functional currency for each entity within the Group is determined on the basis of the relevant criteria. The items contained in the financial statements of each entity are translated on the basis of the functional currency.

Where the transactions that are relevant in determining an entity’s functional currency change, this will lead to a change in the functional currency of the respective entity. An overview of the functional currencies is presented in Note 3.

### *Foreign currency transactions and balances*

Foreign currency transactions are translated into the functional currency by the Group member company at the valid spot rate on the date of the transaction. Monetary assets and liabilities in a foreign currency are translated into the functional currency on the reporting date using the valid spot rate on the reporting date.

For subsidiaries pertaining to the segment Hotels & Resorts and for whom the respective local currency is not the functional currency, all transactions affecting current income and expenses are translated on the basis of monthly interim financial statements at the weighted average exchange rate for the respective month. Significant transactions are translated at the spot rate that is valid for the date of the transaction. All translation differences are recognized in profit or loss.

Non-monetary items measured at historical cost in a foreign currency are translated at the valid exchange rate on the date of the transaction.

### *Translation of the financial statements of the entities included in the consolidated financial statements*

The assets and liabilities of the foreign subsidiaries are translated into euros at the valid rate on the reporting date. Depending on the item, income and expenses are either translated using the rate on the date of the transaction (interest expense), average rates or historical rates (write-downs). All exchange differences arising on translation are taken directly to a separate component of equity. Upon disposal of a foreign entity, the deferred cumulative amount relating to the particular subsidiary previously

recognized in equity is transferred to the statement of comprehensive income. The translation differences from monetary items that are part of the net investments in a foreign business operation are recognized in the other result, and are transferred from equity to the profit or loss statement in the event that the net investment is sold.

The exchange rates on 31 December 2012, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31/12/2012	31/12/2011
Polish zloty	(PLN/EURO)	4.0882	4.4168
Czech koruna	(CZK/EURO)	25.140	25.800
Hungarian forint	(HUF/EURO)	291.29	311.13
Swiss franc	(CHF/EURO)	1.2072	1.2156
US dollar	(USD/EURO)	1.3194	1.2939
Russian rouble	(RUB/EURO)	40.2286	41.6714
Romanian leu	(RON/EURO)	4.4291	4.3197

## 2.09. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment charges. Standard depreciation rates are calculated for the estimated useful lives of the assets. Where significant components of an item of property, plant and equipment have different useful lives, depreciation is based on the useful lives of these components. Replacements that are capitalized are amortized over their estimated useful lives.

For accounting purposes, hotels are separated into their most significant components (land and rights equivalent to land, building fabric, heating facilities and other technical equipment, and furniture) and depreciated individually. See Note 9.

Straight-line depreciation is based on the estimated useful life of the asset. The carrying amounts of property, plant and equipment items are tested for impairment whenever there is evidence to indicate that the carrying amount of the asset is greater than its recoverable amount.

Production costs of property, plant and equipment developed by the Group contain direct expense plus allocated material and production overheads. Borrowing costs are capitalized where they can be directly attributed to the project under development through specific project financing or loans from joint venture partners or minority shareholders. These costs are written down over the estimated useful economic lives of the respective assets.

A property, plant and equipment item is derecognized upon its disposal or when no further economic benefit is expected from the continued use or disposal of the asset. The gains or losses associated with the derecognition of the asset are determined by calculating the difference between the net selling proceeds and the carrying amount of the asset and are reported on the statement of comprehensive income in the period in which the asset is derecognized.

## 2.10. Investment properties

Investment properties are measured at historical acquisition or production cost less accumulated depreciation and impairment charges. Depreciation rates are calculated for the estimated useful lives of the assets. Replacements that are capitalized are amortized over their estimated useful lives. The carrying amount does not contain costs of day-to-day servicing of an investment property. Real estate held as investment property is classified as such when there is no intention to sell it or use it for Group purposes. Investment properties are derecognized upon the sale of such properties or when no further continued use is possible or no future economic benefit is expected from their disposal. Gains or losses from the disposal of investment property are recognized through profit or loss in the period in which the property is sold.

### 2.11. Business combinations and goodwill

Business combinations are accounted for using the acquisition accounting method. The acquisition cost of a business entity is measured as the total of consideration made valued at its fair value at the time of the transaction and plus non-controlling interest in the acquired entity. For each business combination, the management of the parent company values the non-controlling interests in the acquired entity either at their fair value or as the proportionate share of the identifiable net assets of the acquired entity. Costs incurred in connection with the business combination are recognized on the statement of comprehensive income.

When the Group acquires a business entity, it determines the proper classification and designation of the financial assets and assumed liabilities in accordance with the provisions of the contract, the economic conditions and the general conditions prevailing at the time of the transaction. This also includes the separation of embedded derivatives.

For successive share purchases, the share of equity in the entity previously held by the acquiring company is remeasured at its fair value at the time of the transaction and the resulting gain or loss recognized on the statement of comprehensive income.

The agreed consideration is recognized at its fair value at the time of transaction. Subsequent changes in the fair value of conditional consideration representing an asset or liability are recognized either in the statement of comprehensive income or directly in equity in accordance with IAS 39.

Goodwill acquired in a business combination is initially measured at cost, this being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquired entity's identifiable assets and liabilities. If this consideration is less than the current fair value of the net assets of the acquired subsidiary, the difference is recognized in the statement of comprehensive income.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and
- is not larger than an operating segment determined in accordance with IFRS 8.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### 2.12. Other intangible assets

Currently the only intangible assets held and presented by the Group relate to acquired computer software. The estimated useful life of software is five years based on straight-line depreciation. Internally generated intangible assets are not capitalized, as the required criteria are not fulfilled.

In a business combination, the Group reviews the acquired assets to identify whether any separately identifiable intangible assets, such as trademarks or regular clientèle, have been acquired. So far no separately identifiable intangible assets have been identified in a business combination since the Group has only acquired individual properties (such as hotels or investment properties).

**2.13. Impairment of non-financial assets**

At least once each year, the Group assesses whether there is any indication that an asset may be impaired. When such an indication exists, the Group estimates the recoverable amount of the asset. The recoverable amount is the higher of the value in use or fair value, less selling expenses. If the carrying amount of an asset is greater than the recoverable amount, the asset is written down to its recoverable amount. The value in use is calculated on the basis of the discounted anticipated future cash flows before taxes, discounted to the present value taking appropriate risk considerations into account. An appropriate valuation model is used to determine the fair value less selling costs (see Note 2.04.).

With the exception of goodwill, a previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. This amount may not exceed the carrying amount that would apply for the asset had scheduled depreciation but no impairment charges been applied up to the reporting date. Such a write-up is recognized immediately in the period in which it is identified.

For real estate projects under development, the project's development progress is compared with market values and projected income forecasts. Impairment is recognized when original project development expectations show a negative change and the carrying amount is higher than the recoverable amount.

**2.14. Other financial assets**

Other loans contain loans given to joint ventures. Please see Note 2.06.4. for information on their measurement.

In accordance with Group policy, guarantees and other commitments are secured by term deposits pledged as collateral. These term deposits are held with Austrian banks and carried at amortized cost.

**2.15. Inventories**

Inventories are valued at the lower of acquisition cost, production cost or net realizable value. Inventories consist primarily of raw materials and merchandise (food and beverages) pertaining to the operations of hotels and resorts. Consumption is recorded based on the FIFO method.

Real estate projects under development or construction are reported at the lower of cost or net realizable value.

**2.16. Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.

**2.17. Provisions**

Provisions are recognized when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to the formation of any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax interest rate. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

## 2.18. Pensions and other post-employment benefits

Provisions for severance payments and long-term service bonuses for employees and members of the Management Board are primarily recognized for employees of Austrian Group companies, since employees in Poland, the Czech Republic and Hungary are not entitled to similar benefits and local laws only provide for a very limited range of employee benefits.

Pension commitments have been made in favour of the directors of the parent company. These plans also include benefits to dependants. The Group's pension plans are defined benefit plans and are unfunded.

All long-term provisions for pensions and other post-employment benefits are calculated using the projected unit credit method. The pension and salary increase is estimated at 2.75 per cent (2011: 3 per cent) for severance payments, jubilee benefits and pensions. The calculations are based on a discount rate of 4 per cent (previous years: 5.125 per cent). A fluctuation discount of 0 per cent (previous years: 0 per cent) was applied. The provision is valued in accordance with the actuarial tables AVÖ für Angestellte.

Actuarial profits and losses are recognized in the statement of comprehensive income when they occur. The interest component is taken into account in finance expenses.

Pension reimbursement insurance was taken out for the pension plan of the directors and their dependants. Annual contributions are made to this insurance plan, which is dedicated to the coverage of the pension obligation and is of a long-term nature. It is not a pension plan asset within the meaning of IAS 19 and must be capitalized separately according to IAS 19.104a.

This reimbursement right is valued at EUR 2,987,993 (2011: EUR 2,213,832) and reported under (non-current) "Other financial assets". It is measured at its fair value (actuarial capital including profit share). The share of the pension reimbursement insurance attributable to the Management Board member who is stepping down was recognized at the surrender value as of the reporting date.

## 2.19. Revenue recognition

Revenues are recognized in accordance with IAS 18:

- Revenues from the sale of goods or rendering of services and income from rent are recognized when the significant risks and rewards of ownership of the goods have passed to the buyer or when the services have been effectively rendered.
- Interest income is recognized as interest entitlements accrue.
- Dividend income is recognized when the Group's right to receive the payment is established.

### *Gains from the sale of subsidiaries*

- Income is recognized when control of the subsidiary is lost in accordance with IAS 27.34. In the case of a sale of a subsidiary, the difference between the sale price and net assets plus cumulative foreign currency translation differences and the non-impaired goodwill are recognized in income.

### *Income from construction contracts according to IAS 11*

- Construction contracts are recognized using the percentage of completion method. The expected income from the contract is reported in sales revenue in accordance with the degree of completion. The degree of completion, on which the recognized revenue is based, is generally determined based on the services rendered as of the reporting date as a percentage of the total estimated services to be rendered. If the revenue from the construction contract cannot be estimated reliably, revenue is only recognized in the amount of the incurred costs for the contract. The contract costs are recognized as expenses in the period in which they are incurred. If it is likely that the total contract costs will exceed the total contract revenue, the expected loss is recognized in full immediately.

Contract revenue in the period totalled EUR 8.1 million and is recognized under sales revenues. The associated contract expenses in the amount of EUR 7.5 million are recognized in the expenses for project development.



## 2.20. Taxes

### 2.20.1. Current tax assets and liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amounts are those that are enacted by the balance sheet date.

### 2.20.2. Deferred taxes

Deferred income tax is provided for using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, with the exception of deferred tax liabilities from initial recognition of goodwill, an asset or a liability under a transaction other than a business combination which at the time of the transaction had an impact on neither the result according to the Austrian Commercial Code nor the taxable result.

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and carryforwards of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and carryforwards of unused tax credits can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

### 2.20.3. Value added tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except when:

- the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables are stated with the amount of VAT included; and
- the net amount of VAT recoverable from, or payable to, the tax authorities is included as part of receivables or payables in the balance sheet.

## 2.21. Treasury shares

When the Group acquires its own shares, these are recognized at cost and deducted from equity. The purchase, sale, issue or redemption of treasury shares is not recognized on the statement of comprehensive income. Differences between the carrying amount and the consideration are recognized in the capital reserves.

## 2.22. Convertible bonds

When a convertible bond is issued, the future payment flows are discounted for the agreed term with the agreed interest rate plus a premium that would have been paid had a bond without conversion rights been issued. The difference between the cash value without conversion rights and the nominal value is recognized directly in equity as a dilution effect. The transaction costs are distributed over the term. See also Note 22.1.

**[03] Companies included in the consolidated financial statements**

The consolidated financial statements include the financial statements of Warimpex Finanz- und Beteiligungs AG and the following entities:

Consolidated entities	Domicile	Shareholding		Consolidation method <sup>1</sup>		Capital		Av. Segment <sup>2</sup>	staff <sup>3</sup>	Functional currency	
		direct	indirect	2012	2011	stock	Currency			2012	2011
Louvre Warimpex											
Development GesmbH (i.L.)	A-Vienna	100%	–	FC	FC	50,000	EUR	H&R	–	EUR	EUR
Grassi Hotelbeteiligungs- und Errichtungs GesmbH	A-Vienna	100%	–	FC	FC	2,943,252	EUR	D&A	–	EUR	EUR
Grassi H1 Hotelbeteiligungs GmbH	A-Vienna	–	100%	FC	FC	35,000	EUR	D&A	–	EUR	EUR
Palais Hansen											
Immobilienentwicklung GmbH	A-Vienna	–	9.88%	EC	EC	35,000	EUR	D&A	–	EUR	EUR
Leuchtenbergring											
HotelbetriebsgesmbH	D-Munich	–	50%	EC	EC	25,000	EUR	H&R	–	EUR	EUR
Recoop Tour a.s.	CZ-Prague	–	100%	FC	FC	24,000,000	CZK	H&R	125	EUR	EUR
WX-Leuchtenbergring GmbH	D-Munich	100%	–	FC	FC	25,000	EUR	H&R	–	EUR	EUR
Bürohaus Leuchtenbergring											
- GmbH & Co. Besitz KG	D-Munich	–	39.50%	EC	EC	100,000	EUR	H&R	–	EUR	EUR
- GmbH & Co. KG	D-Munich	–	39.50%	EC	EC	60,000	EUR	H&R	–	EUR	EUR
- Verwaltungs GmbH	D-Munich	–	39.50%	EC	EC	25,565	EUR	H&R	–	EUR	EUR
UBX Objekt Berlin Ges.m.b.H	D-Munich	50%	–	EC	EC	25,000	EUR	H&R	–	EUR	EUR
UBX 2 Objekt Berlin Ges.m.b.H	D-Munich	50%	–	EC	EC	25,000	EUR	H&R	–	EUR	EUR
UBX 3 Objekt Berlin Ges.m.b.H.	D-Munich	50%	–	EC	EC	25,000	EUR	H&R	–	EUR	EUR
Berlin Konferenz Betriebs GmbH	D-Berlin	50%	–	EC	EC	25,000	EUR	H&R	–	EUR	EUR
Revital z.R.t.	HU-Budapest	100%	–	FC	FC	220,500,000	HUF	D&A	–	HUF	HUF
Becsinvestor kft	HU-Budapest	100%	–	FC	FC	35,380,000	HUF	D&A	–	EUR	EUR
Warimpex Investconsult kft	HU-Budapest	100%	–	FC	FC	10,000,000	HUF	D&A	–	EUR	EUR
Elsbet kft	HU-Budapest	100%	–	FC	FC	103,000,000	HUF	D&A	–	EUR	EUR
Warimpex Leasing GmbH	A-Vienna	100%	–	FC	FC	500,000	EUR	H&R	–	EUR	EUR
Amber Baltic Sp.z.o.o.	PL-Międzyzdroje		100%	FC	FC	38,325,000	PLN	H&R	106	EUR	EUR
Hansa Sp.z.o.o.	PL-Międzyzdroje		100%	FC	FC	430,000	PLN	H&R	–	EUR	EUR
Evropský Investicni Holding a.s.	CZ-Prague	–	100%	FC	FC	100,000,000	CZK	H&R	32	EUR	EUR
UBX Praha 1 s.r.o.	CZ-Prague	100%	–	FC	FC	33,200,000	CZK	H&R	43	EUR	EUR
Warimpex CZ s.r.o.	CZ-Prague	100%	–	FC	FC	200,000	CZK	D&A	–	CZK	CZK
Balnex 1 a.s.	CZ-Prague	100%	–	FC	FC	4,557,000	CZK	H&R	116	EUR	EUR
KHD s.r.o. <sup>4</sup>	CZ-Prague	–	–	FC	FC	2,000,000	CZK	H&R	–	EUR	EUR
MEP s.r.o. (i.L.)	CZ-Prague	100%	–	FC	FC	900,000	CZK	H&R	–	EUR	EUR
Hotel Palace Praha s.r.o.	CZ-Prague	100%	–	FC	FC	147,000,000	CZK	H&R	63	EUR	EUR
Hotel Palace s.r.o.	CZ-Prague	100%	–	FC	FC	155,801,500	CZK	H&R	48	EUR	EUR
Vladinvest Praha s.r.o.	CZ-Prague	100%	–	FC	FC	3,100,000	CZK	D&A	–	EUR	EUR
UBX 3 s.r.o.	CZ-Prague	50%	–	EC	EC	200,000	CZK	H&R	–	EUR	EUR
UBX Plzen s.r.o.	CZ-Prague	50%	–	EC	EC	200,000	CZK	H&R	–	EUR	EUR
Hotelinvestments s.a.r.l.	LU-Luxembourg	50%	–	EC	EC	20,000	EUR	D&A	–	EUR	EUR
UBX Development (France) s.a.r.l.	F-Paris	50%	–	EC	EC	50,000	EUR	D&A	–	EUR	EUR
UBX II (France) s.a.r.l.	F-Paris	–	50%	EC	EC	50,000	EUR	H&R	–	EUR	EUR
Hotel Paris II s.a.r.l.	F-Paris	50%	–	EC	EC	650,000	EUR	H&R	–	EUR	EUR
Warimpex Polska Sp.z.o.o.	PL-Warsaw	100%	–	FC	FC	9,095,000	PLN	D&A	13	PLN	PLN
El Invest Sp.z.o.o.	PL-Warsaw	71%	10%	FC	FC	1,300,000	PLN	D&A	–	PLN	PLN
Via Prop Sp.z.o.o.	PL-Warsaw		100%	FC	–	100,000	PLN	D&A	–	PLN	–
Multidevelopment Sp.z.o.o.	PL-Warsaw	100%	–	FC	FC	50,000	PLN	D&A	7	PLN	PLN

Consolidated entities	Domicile	Shareholding		Consolidation method <sup>1</sup>		Capital		Segment <sup>2</sup>	Av. staff <sup>3</sup>	Functional currency	
		direct	indirect	2012	2011	stock	Currency			2012	2011
Chopin Sp.z.o.o.	PL-Krakow	100%	–	FC	FC	11,207,000	PLN	H&R	66	EUR	EUR
Evita Investments Sp. z o.o.	PL-Warsaw	100%	–	FC	FC	2,000,000	PLN	D&A	–	PLN	PLN
Synergie Patrimoine S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
andel's Łódź Sp.z.o.o.	PL-Warsaw	–	100%	FC	FC	50,000	PLN	H&R	163	EUR	EUR
Goulds Investments S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
Ipopema Fund S.A.	PL-Warsaw	33.33%	16.67%	EC	–	200,000	PLN	H&R	–	EUR	EUR
Sienna Hotel S.K.A. Lanzarota Investments Sp. (formerly Sienna Hotel Sp.z.o.o.)	PL-Warsaw	–	50.00%	EC	EC	81,930,000	PLN	H&R	–	EUR	EUR
Lanzarota Sp.z.o.o.	PL-Warsaw	33.33%	16.67%	EC	EC	5,000	PLN	H&R	–	EUR	EUR
WX Budget Hotel Holding S.A.	LU-Luxembourg	100%	–	FC	FC	80,000	EUR	H&R	–	EUR	EUR
Warimpex HU1 kft. (i.L.)	HU-Budapest	–	100%	FC	FC	12,600,000	HUF	H&R	–	HUF	HUF
Warimpex Property HU 2 kft	HU-Budapest	–	100%	FC	FC	600,000	HUF	H&R	–	HUF	HUF
RLX Dvořák s.a.r.l. <sup>4</sup>	LU-Luxembourg	–	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
WX Krakow Holding S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
UBX Krakow Sp.z.o.o.	PL-Warsaw	–	100%	FC	FC	50,000	PLN	H&R	89	EUR	EUR
Prozna Development Sp. z o.o.	PL-Warsaw	–	100%	FC	FC	50,000	PLN	D&A	–	EUR	EUR
Kopernik Development Sp.z.o.o.	PL-Warsaw	–	100%	FC	FC	25,000	PLN	D&A	–	PLN	PLN
WX Bialystok Holding S.A. <sup>5</sup>	LU-Luxembourg	liquidated	–	FC	FC	31,000	EUR	D&A	–	EUR	EUR
WX Warsaw Holding S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
GF Ramba Sp.z.o.o.	PL-Warsaw	–	50%	EC	EC	138,800	PLN	D&A	–	EUR	EUR
UBX Katowice Sp.z.o.o.	PL-Warsaw	50%	–	EC	EC	50,000	PLN	H&R	–	EUR	EUR
Sugura S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
Comtel Focus S.A.	RO-Bucharest	–	100%	FC	FC	10,232,402	RON	H&R	69	EUR	EUR
Reitano Holdings Limited	Cyprus	60%	–	FC	FC	4,275,187	EUR	H&R	–	EUR	EUR
SAO Horeka Koltsovo	RU-Ekaterinburg	–	60%	FC	FC	157,600,000	RUB	H&R	146	RUB	RUB
OOO RusAvia Horeka	RU-Ekaterinburg	–	60%	FC	FC	1,000,000	RUB	H&R	–	RUB	RUB
OAo Avielen AG	RU-St. Petersburg	55%	–	EC	EC	370,000,500	RUB	H&R	–	RUB	RUB

<sup>1</sup> FC = full consolidation, EC = equity method of consolidation

<sup>2</sup> Segment: D&A: Development & Asset Management; H&R: Hotels & Resorts (see segment report Note 5.1.).

<sup>3</sup> The average number of employees relates to the number of employees in relation to the Group's share in the subsidiary or joint venture and is presented on a pro-rata basis for those companies that did not participate in the Group for the whole year. Employees of joint ventures are not shown because these entities are treated as a financial investment according to the equity method.

<sup>4</sup> These companies are still being consolidated despite their sale because the Group still holds the majority of the risks and rewards of ownership.

<sup>5</sup> Liquidated companies are included in the consolidated financial statements for the periods in which they were still owned by the Group.

## [04] Real estate sales and other changes in the scope of consolidation

### 4.01. Disposals of real estate and shares

The joint venture Sienna Hotel SKA sold the property of the InterContinental hotel in Warsaw under an asset deal in December 2012. The Company still holds its shares in the joint venture. Because of this, the only effect that this sale had on the consolidated financial statements was in "Profit allocation from joint ventures" in the amount of EUR 11,580,357.

In November 2012, 10% of the 49.5% Leuchtenbergring Munich joint venture was sold.

The sale of the Louvre joint venture in 2011 was settled during the reporting period.

All sales had the following effects on the annual financial statements:

EUR

Agreed (net) purchase price for the shares and real estate 2012	5,000
Purchase price adjustments from sales in prior periods	206,695
Net sale price for the shares	211,695

### Cash flow

Payments received in connection with the sale of the 10 per cent share in the Leuchtenbergring joint venture and the settlement of sales from prior periods break down as follows:

• Agreed payments from the sale of shares and properties	5,000
• Costs associated with sales transactions from prior periods	206,695
• Payments received from retained purchase price shares from prior periods	811,463
	1,023,158

### 4.02. Disposal groups classified as held for sale

The remaining shares in the Leuchtenbergring joint venture were sold in January 2013. As of 31 December 2012, the 39.5 per cent joint venture was recognized as "assets of a disposal group that is classified as held for sale".

The assets and liabilities of the Palace Hotel in Prague were also classified as held for sale according to IFRS 5 in the fourth quarter of 2012. A "company sale" according to Czech law is planned. The transaction negotiations were at an advanced stage when the consolidated financial statements were prepared.

The assets and liabilities of the Palace and Leuchtenbergring disposal groups were reclassified in accordance with IFRS 5. The net assets of the disposal groups amount to EUR 11,190,032 and break down as follows:

ASSETS	as of 31/12/2012	LIABILITIES	as of 31/12/2012
Real estate	19,930,000	Project loans	13,064,000
Joint ventures	4,198,312	Current liabilities	584,761
Other current receivables	486,369	thereof to associated companies (Vienna International)	195,814
Cash and cash equivalents	224,112		
	24,838,793		13,648,761

The properties, including the properties held in the joint venture, were valued by an independent expert appraiser as of the reporting date. No material impairment was discovered.

**4.03. Disposal of shareholdings in the previous year**

All sales and the associated deconsolidations in the previous year had the following effect on the financial statements as of 31 December 2011:

EUR

Property, plant and equipment	3,306,340
Interests in joint ventures	(6,715,934)
Current receivables	(68,106)
Cash and cash equivalents	(6,829)
	<u>(3,484,530)</u>
Third party loans – current	(3,424,636)
Other current payables	141,167
	<u>(3,283,469)</u>
Agreed (net) purchase price for the shares	12,252,625
Book value	(6,767,999)
Covered loans from Warimpex	(2,047,707)
Costs associated with the sales transactions	(418,762)
Net sale price for the shares	<u>3,018,156</u>

**Cash flow**

Cash receipts and cash outflows from sold shares during the previous period were as follows:

• Agreed payments from the sale of shares and properties	12,252,625
• Covered loans from Warimpex	(2,047,707)
• Costs associated with the sales transactions	(418,762)
• Net cash of the companies sold	(6,829)
• Less purchase price claims retained on the reporting date deposited in escrow accounts	(688,963)
	<u>9,090,363</u>

The sales transactions above pertain primarily to the stakes in Golf Amber Baltic sp.z.o.o., Europa Hawk. s.a.r.l. and the Louvre sub-group, with the exception of three sub-group companies.

## [05] Segment information

The Warimpex Group's operations are divided into two business segments, upon which the management of the Group is based: Hotels & Resorts and Development & Asset Management. The business activity and operating region of each company are taken into account when determining the segment for internal management reporting purposes.

Transactions between business segments contain the recharging of intragroup services as well as project development services. The services are charged at cost plus a profit margin. The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the financial year ended 31 December 2012 and the comparison figures for 2011.

For the purposes of the segment report, joint ventures are recognized proportionately like the fully consolidated companies. The "Reconciliation difference" column only shows the effects from the reconciliation between recognition of the joint ventures using the proportionate consolidation method and the equity method.

### 5.01. Hotels & Resorts segment:

For purposes of capital employed and used, this segment is subdivided into "Hotels in operation", which contribute to the Group's profit, and "Hotels under development", which only generate costs until completion and opening.

Hotels in operation are further classified into the sub-segments "Luxury" (Palace Hotel and Le Palais; InterContinental Warsaw on a proportionate basis) and "Upmarket" (Savoy Hotel, Diplomat Hotel, Dvořák, angelo Prague, Airporthotel Bucharest, andel's Krakow, Amber Baltic, andel's Łódź and angelo Ekaterinburg; the following hotels are recognized on a proportionate basis: angelo Plzeň, andel's Berlin, Dreamcastle, Magic Circus, Airport City St. Petersburg, angelo Katowice and angelo Munich [recognized according to IFRS 5 as of 31 December 2012, sold in January 2013]). "Others" consists of Chopin Hotel in Krakow and the Liner Hotel in Ekaterinburg.

Typical industry metrics like the 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 certain "costs after GOP") are used to manage this sub-segment. A reconciliation of the NOP against the result from operating activities can be seen in the segment report.

### Results for the Hotels & Resorts segment:

The segment Hotels & Resorts is analyzed according to the cost of sales method for purposes of internal Group reporting. The GOP contains all sales revenues, costs of materials and services and employee expenses that are directly related to the operation of the hotel.

Management fees generally amount to 4 per cent of sales revenues and 8 per cent of GOP. "Property costs" contain insurance premiums, land taxes and expenses from operating leases.

Other costs after GOP include personnel expenses for administrative staff as well as expenses of the owner of the hotel which are not directly attributable to the operations of the hotel.

### 5.02. Development & Asset Management segment:

For purposes of capital employed and used and for management purposes, this segment is subdivided into Asset Management (all office and commercial buildings which are rented to tenants, completed or under development) and Development (all management activities of the Group holding company). "Others" relates to the Group's development activities in a broader sense which do not belong to the Warimpex Group's core business (primarily energy projects in Poland).

The sub-segment Asset Management is divided into "rented out" (Dioszegi, Sajka Utca and Elsbet Utca tower B; Airport City St. Petersburg and Parkur Tower according to the equity method) and "under construction" (Elsbet Utca tower A)

The operating cash flow in the sub-segment Development is generally negative if no construction contracts for third parties are recognized, since this segment primarily contains gains from the sale of subsidiaries. Such gains are presented in the cash flow from changes in the scope of consolidation.

## 5.1 Segment overview in thousands of euros

	Hotels & Resorts		Development & Asset Management	
	2012	2011	2012	2011
<b>PROFIT FOR THE PERIOD</b>				
External sales	112,481	103,443	12,756	7,388
Inter-segment sales	(1,207)	(1,189)	1,207	1,189
Income from the sale of properties	(123)	–	12,513	3,018
Changes in real estate projects under development	–	–	1,081	–
Other income	90	1,007	–	19
Expenses for materials and services rendered	(52,975)	(47,817)	(1,546)	(1,673)
Expenses for project development	–	–	(9,197)	(3,107)
Personnel expenses	(27,667)	(25,957)	(4,139)	(3,717)
Other expenses	(7,960)	(7,976)	(2,759)	(2,555)
Segment EBITDA	23,846	22,701	8,709	(627)
Scheduled write-downs	(17,091)	(18,513)	(866)	(986)
Impairments	(1,082)	(2,059)	(257)	(8,952)
Write-ups	6,591	16,301	5,773	–
Segment operating profit	12,264	18,430	13,358	(10,564)
Financial revenue	1,378	37	1,141	3,893
Finance costs	(16,721)	(17,412)	(13,892)	(7,866)
Result from joint ventures	–	–	5,474	4,789
Income tax	(297)	(311)	(370)	(7)
Deferred income tax	(182)	5,805	1,666	1,907
<b>Segment overview: profit for the period</b>	<b>(3,558)</b>	<b>6,549</b>	<b>7,378</b>	<b>(7,848)</b>
<b>SEGMENT OVERVIEW: BALANCE SHEET</b>				
Real estate and goodwill	364,029	454,577	92,824	76,440
Joint ventures	–	–	10,326	(2,545)
Other financial assets	5,375	11	9,578	9,483
Deferred tax assets	3,299	3,177	5,938	5,257
Non-current assets	372,702	457,765	118,666	88,635
Inventories and receivables	11,093	10,589	4,124	5,985
Securities and other financial assets	0	7	7,279	3,989
Cash and short-term deposits	7,399	9,393	3,743	8,053
IFRS 5 assets	30,623	–	9,373	–
<b>Segment overview: assets</b>	<b>421,817</b>	<b>477,754</b>	<b>143,185</b>	<b>106,661</b>
Convertible bonds, interest-bearing loans and borrowings	271,396	335,827	109,350	122,854
Other liabilities and reserves	35,815	30,898	21,329	17,349
IFRS 5 liabilities	30,055	–	–	–
<b>Segment overview: debt</b>	<b>337,266</b>	<b>366,725</b>	<b>130,680</b>	<b>140,203</b>
<b>SEGMENT OVERVIEW: CASH FLOW</b>				
<b>Cash receipts from operating activities</b>				
From the operation of hotels and rent received	111,531	103,945	4,353	4,075
From real estate development projects	–	–	10,782	3,700
Interest received	67	37	186	86
	111,598	103,982	15,326	7,861
<b>Cash payments for operating activities</b>				
For real estate development projects	–	–	(8,641)	(2,783)
For materials and services received	(50,488)	(49,227)	(1,250)	(1,640)
For personnel and related expenses	(27,465)	(25,768)	(3,404)	(4,212)
For other expenses	(9,665)	(8,522)	69	(5,390)
For income taxes	(271)	(485)	(68)	(1)
<b>Segment overview: Net cash flows from operating activities</b>	<b>23,708</b>	<b>19,981</b>	<b>2,031</b>	<b>(6,165)</b>
Investment cash flow	36,238	(19,954)	5,247	(7,993)
Financing cash flow	(51,537)	(11,686)	(21,695)	25,436
<b>Segment overview:</b>				
<b>Net change in cash and cash equivalents</b>	<b>8,409</b>	<b>(11,660)</b>	<b>(14,416)</b>	<b>11,278</b>
Average payroll	1,562	1,562	59	56

Segment total on 31 December		Reconciliation difference		Total on 31 December	
2012	2011	2012	2011	2012	2011
125,237	110,832	(51,628)	(45,907)	73,609	64,925
–	–	–	–	–	–
12,390	3,018	(12,179)	–	212	3,018
1,081	–	–	–	1,081	–
90	1,026	(90)	(19)	–	1,007
(54,521)	(49,490)	26,546	22,498	(27,974)	(26,992)
(9,197)	(3,107)	65	107	(9,132)	(3,001)
(31,806)	(29,674)	12,571	10,917	(19,235)	(18,756)
(10,719)	(10,531)	2,946	2,821	(7,773)	(7,710)
32,555	22,075	(21,768)	(9,583)	10,787	12,492
(17,957)	(19,499)	7,030	7,437	(10,927)	(12,061)
(1,339)	(11,011)	–	7,381	(1,339)	(3,630)
12,363	16,301	(3,470)	(3,439)	8,894	12,862
25,622	7,865	(18,208)	1,797	7,414	9,662
2,519	3,930	(98)	(57)	2,421	3,873
(30,613)	(25,278)	11,275	6,384	(19,338)	(18,894)
5,474	4,789	12,959	7,647	18,433	12,436
(667)	(318)	125	(6)	(543)	(324)
1,484	7,712	(206)	(7,224)	1,278	488
3,819	(1,300)	5,846	8,540	9,665	7,240
456,853	531,017	(184,041)	(239,165)	272,812	291,853
10,326	(2,545)	74,610	94,797	84,342	92,252
14,953	9,494	(3,875)	–	11,078	9,494
9,236	8,434	(8,688)	(8,082)	549	352
491,368	546,400	(121,994)	(152,449)	369,374	393,951
15,216	16,574	(7,423)	(9,251)	7,793	7,322
7,279	3,996	–	–	7,279	3,996
11,142	17,446	(3,997)	(10,430)	7,145	7,016
39,996	–	(15,157)	–	24,839	–
565,002	584,415	(148,571)	(172,130)	416,431	412,285
380,746	458,681	(112,072)	(160,268)	268,675	298,413
57,145	48,247	(12,089)	(10,957)	45,022	37,290
30,055	–	(16,406)	–	13,649	–
467,945	506,928	(140,567)	(171,225)	327,379	335,703
115,889	108,020	(50,914)	(45,748)	64,975	62,272
10,782	3,700	–	(19)	10,782	3,682
253	123	(100)	(57)	153	66
126,924	111,843	(51,014)	(45,824)	75,910	66,019
(8,641)	(2,783)	65	689	(8,576)	(2,093)
(51,737)	(50,867)	25,452	22,844	(26,285)	(28,023)
(30,870)	(29,980)	12,551	10,900	(18,318)	(19,080)
(9,597)	(13,912)	3,379	5,769	(6,218)	(8,143)
(339)	(486)	151	16	(188)	(470)
25,740	13,815	(9,416)	(5,606)	16,324	8,209
41,491	(27,947)	(22,357)	26,426	19,128	(1,521)
(73,232)	13,750	38,322	(20,355)	(34,909)	(6,606)
(6,007)	(382)	6,549	464	543	82
1,621	1,618	(507)	(468)	1,114	1,150



## Hotels &amp; Resorts sub-segment in thousands of euros

	Luxury		Upmarket		Others	
	2012	2011	2012	2011	2012	2011
<b>SUB-SEGMENT RESULT</b>						
Revenues	17,699	18,004	88,549	79,761	5,888	5,391
Expenses for materials	(7,417)	(7,974)	(35,937)	(32,394)	(1,625)	(1,617)
Personnel expenses	(4,321)	(5,029)	(20,805)	(18,834)	(1,346)	(1,214)
<b>Gross operating profit</b>	<b>5,960</b>	<b>5,002</b>	<b>31,807</b>	<b>28,534</b>	<b>2,916</b>	<b>2,561</b>
<i>Hotel employees</i>	<i>234</i>	<i>271</i>	<i>1,185</i>	<i>1,122</i>	<i>124</i>	<i>131</i>
<i>Total rooms</i>	<i>398</i>	<i>459</i>	<i>2,853</i>	<i>3,033</i>	<i>370</i>	<i>370</i>
<i>Rooms available</i>	<i>400</i>	<i>458</i>	<i>2,868</i>	<i>2,730</i>	<i>369</i>	<i>368</i>
<i>Rooms sold</i>	<i>278</i>	<i>299</i>	<i>1,838</i>	<i>1,617</i>	<i>227</i>	<i>276</i>
<b>Average room occupancy</b>	<b>69%</b>	<b>65%</b>	<b>64%</b>	<b>59%</b>	<b>62%</b>	<b>75%</b>
Management fee	(1,664)	(1,005)	(5,895)	(4,507)	(406)	(301)
Lease/rent	–	–	(2,517)	(2,336)	(78)	(79)
Exchange adjustments	352	(53)	553	(484)	(20)	44
Property costs	(420)	(484)	(1,850)	(578)	(82)	(88)
<b>Net operating profit</b>	<b>4,228</b>	<b>3,460</b>	<b>22,098</b>	<b>20,629</b>	<b>2,331</b>	<b>2,137</b>
Revenues after GOP	(8)	–	114	128	239	168
Other costs after GOP	(41)	(486)	(4,935)	(3,070)	(181)	(265)
Scheduled write-down	(739)	(3,869)	(15,245)	(13,478)	(1,107)	(1,166)
Impairments	–	(233)	(1,082)	(27)	–	(1,170)
Write-ups	–	1,785	5,394	14,515	1,197	–
<b>Contribution to the operating profit of the Hotels &amp; Resorts segment</b>	<b>3,440</b>	<b>658</b>	<b>6,343</b>	<b>18,697</b>	<b>2,480</b>	<b>(295)</b>
<b>Thereof sales revenues in</b>						
• Czech Republic	6,408	7,780	25,172	22,496	–	–
• Poland	11,291	10,224	18,994	19,730	3,107	3,013
• Romania	–	–	2,506	2,187	–	–
• Russia	–	–	9,942	5,190	2,780	2,378
• Germany	–	–	13,953	13,202	–	–
• France	–	–	17,982	16,956	–	–
<b>Thereof GOP in</b>						
• Czech Republic	1,194	794	8,781	8,108	–	–
• Poland	4,766	4,208	8,559	8,681	1,401	1,437
• Romania	–	–	884	661	–	–
• Russia	–	–	2,704	1,817	1,515	1,124
• Germany	–	–	4,840	4,169	–	–
• France	–	–	6,039	5,098	–	–
<b>Thereof contribution to operating profit</b>						
• Czech Republic	286	(363)	2,245	5,382	–	–
• Poland	3,155	1,021	(649)	2,766	429	423
• Romania	–	–	(92)	360	–	–
• Russia	–	–	1,724	6,726	2,052	(719)
• Germany	–	–	1,190	2,285	–	–
• France	–	–	1,926	1,178	–	–
• Others	–	–	–	–	–	–

Under development & construction		Segment total on 31 December		Reconciliation difference		Total on 31 December	
2012	2011	2012	2011	2012	2011	2012	2011
-	-	112,135	103,156	(50,117)	(44,839)	62,018	58,317
-	-	(44,980)	(41,984)	21,955	19,426	(23,025)	(22,558)
-	-	(26,472)	(25,076)	12,086	10,776	(14,386)	(14,300)
-	-	40,684	36,096	(16,076)	(14,637)	24,608	21,459
		1,544	1,524	(489)	(454)	1,054	1,070
		3,621	3,862	(1,286)	(1,527)	2,335	2,335
		3,637	3,556	(1,312)	(1,229)	2,324	2,328
		2,343	2,192	(905)	(831)	1,438	1,361
		64%	62%	69%	68%	62%	58%
-	-	(7,965)	(5,812)	4,372	2,662	(3,594)	(3,151)
-	-	(2,595)	(2,415)	0	9	(2,595)	(2,405)
-	-	885	(493)	(1,145)	254	(260)	(239)
-	-	(2,351)	(1,150)	2,978	1,199	626	49
-	-	28,657	26,226	(9,872)	(10,513)	18,785	15,713
-	-	346	296	18	-	364	296
-	-	(5,156)	(3,821)	812	1,140	(4,344)	(2,680)
-	-	(17,091)	(18,513)	6,738	7,244	(10,352)	(11,269)
-	(630)	(1,082)	(2,059)	-	657	(1,082)	(1,402)
-	-	6,591	16,301	(427)	(3,439)	6,164	12,862
-	(630)	12,264	18,430	(2,730)	(4,911)	9,534	13,519
-	-	31,580	30,276	(924)	(860)	30,656	29,415
-	-	33,392	32,967	(13,594)	(12,965)	19,798	20,003
-	-	2,506	2,187	-	-	2,506	2,187
-	-	12,722	7,568	(3,664)	(857)	9,058	6,711
-	-	13,953	13,202	(13,953)	(13,202)	-	-
-	-	17,982	16,956	(17,982)	(16,956)	-	-
-	-	9,975	8,901	(47)	(15)	9,928	8,886
-	-	14,726	14,326	(5,843)	(5,355)	8,883	8,971
-	-	884	661	-	-	884	661
-	-	4,219	2,941	694	-	4,913	2,941
-	-	4,840	4,169	(4,840)	(4,169)	-	-
-	-	6,039	5,098	(6,039)	(5,098)	-	-
-	-	2,531	5,019	53	124	2,583	5,143
-	-	2,934	4,211	(3,325)	(2,248)	(390)	1,963
-	-	(92)	360	-	-	(92)	360
-	-	3,775	6,007	3,658	47	7,433	6,054
-	-	1,190	2,285	(1,190)	(2,285)	-	-
-	-	1,926	1,178	(1,926)	(1,178)	-	-
-	(630)	-	(630)	-	630	-	-

	Luxury		Upmarket		Others	
	2012	2011	2012	2011	2012	2011
<b>SUB-SEGMENT CASH FLOW HOTELS &amp; RESORTS</b>						
Cash receipts	17,296	18,483	88,091	79,772	6,144	5,689
Interest received	39	27	28	10	–	–
Development costs	–	–	–	–	–	–
Expenses for materials	(7,557)	(8,571)	(41,104)	(38,106)	(1,827)	(2,550)
Personnel expenses	(4,416)	(5,242)	(21,600)	(19,175)	(1,450)	(1,351)
Cash paid for other expenses	(9)	(838)	(9,409)	(7,527)	(248)	(156)
Income tax	(141)	–	(117)	(438)	(13)	(47)
<b>Cash flow from operations for Hotels &amp; Resorts</b>	<b>5,213</b>	<b>3,860</b>	<b>15,888</b>	<b>14,536</b>	<b>2,607</b>	<b>1,585</b>
Thereof in						
• Czech Republic	774	266	6,223	5,017	–	–
• Poland	4,439	3,594	5,232	4,091	1,421	1,324
• Romania	–	–	836	(514)	–	–
• Russia	–	–	(2,604)	389	1,185	261
• Germany	–	–	3,095	2,331	–	–
• France	–	–	3,106	3,222	–	–
• Others	–	–	–	–	–	–
<b>SUB-SEGMENT ASSETS HOTELS &amp; RESORTS</b>						
Property, plant and equipment and goodwill	9,329	68,901	332,116	353,235	27,915	27,110
Other non-current assets	3,875	(26)	4,799	3,215	–	–
Other current assets	1,231	988	9,709	8,389	153	1,227
Cash and cash equivalents	2,513	1,587	4,601	7,397	284	409
IFRS 5 assets	20,640	–	9,982	–	–	–
<b>Sub-segment assets</b>	<b>37,588</b>	<b>71,449</b>	<b>361,207</b>	<b>372,237</b>	<b>28,353</b>	<b>28,746</b>
Interest-bearing loans and borrowings	6,340	46,988	254,266	277,631	10,790	11,208
Other non-current liabilities	–	–	8,864	8,686	1,943	1,904
Other current liabilities	2,481	1,582	21,285	17,410	1,242	1,256
IFRS 5 liabilities	13,649	–	16,406	–	–	–
<b>Sub-segment liabilities</b>	<b>22,470</b>	<b>48,570</b>	<b>300,821</b>	<b>303,726</b>	<b>13,975</b>	<b>14,368</b>
<b>Analysis of assets HOTELS &amp; RESORTS</b>						
At 1 January	68,901	78,521	353,235	320,398	27,110	27,015
IFRS 5 transfers (changes in scope of consolidation in prior year)	(19,930)	–	(10,417)	(8,300)	–	(118)
Segment reclassifications	–	(7,757)	(6,203)	36,981	–	2,439
Additions	643	453	4,405	4,040	382	387
Disposals	(39,546)	–	–	–	–	–
Scheduled write-down	(739)	(3,869)	(15,245)	(13,480)	(1,107)	(1,166)
Impairments	–	(233)	(1,082)	(27)	–	(1,170)
Write-ups	–	1,785	5,394	14,515	1,197	–
Exchange effects	–	–	2,030	(892)	333	(277)
<b>Fixed assets on 31 December</b>	<b>9,329</b>	<b>68,901</b>	<b>332,116</b>	<b>353,235</b>	<b>27,915</b>	<b>27,110</b>
<b>Analysis of financial liabilities HOTELS &amp; RESORTS</b>						
Loans on 1 January	46,988	54,064	277,631	270,817	11,208	11,239
IFRS 5 transfers (changes in scope of consolidation in prior year)	(13,064)	–	(15,678)	(6,145)	–	–
New borrowings	–	–	818	195	43	366
Repayment of loans	(27,588)	(2,245)	(8,681)	(5,265)	(549)	(352)
Capitalized interest	4	4	124	2,785	88	(46)
Segment reclassifications	–	(4,835)	–	15,074	–	–
Exchange effects	–	–	52	171	–	–
<b>Loans on 31 December</b>	<b>6,340</b>	<b>46,988</b>	<b>254,266</b>	<b>277,631</b>	<b>10,790</b>	<b>11,208</b>

Under development & construction		Segment total on 31 December		Reconciliation difference		Total on 31 December	
2012	2011	2012	2011	2012	2011	2012	2011
-	-	111,531	103,945	(49,372)	(44,805)	62,159	59,139
-	-	67	37	(43)	(26)	23	11
-	-	-	-	-	-	-	-
-	-	(50,488)	(49,227)	25,390	22,390	(25,098)	(26,837)
-	-	(27,465)	(25,768)	12,325	10,672	(15,140)	(15,095)
-	-	(9,665)	(8,522)	5,742	2,376	(3,923)	(6,146)
-	-	(271)	(485)	148	28	(123)	(457)
-	-	23,708	19,981	(5,811)	(9,365)	17,898	10,615
-	-	6,997	5,283	4	9	7,001	5,292
-	-	11,092	9,009	(5,288)	(4,350)	5,804	4,659
-	-	836	(514)	-	-	836	(514)
-	-	(1,419)	650	5,675	528	4,256	1,178
-	-	3,095	2,331	(3,095)	(2,331)	-	-
-	-	3,106	3,222	(3,106)	(3,222)	-	-
-	-	-	-	-	-	-	-
(5,331)	5,331	364,029	454,577	(116,381)	(185,222)	247,648	269,355
-	-	8,674	3,188	(6,832)	(2,972)	1,842	216
-	(10)	11,093	10,596	(6,332)	(4,906)	4,761	5,690
-	-	7,399	9,393	(3,597)	(6,578)	3,802	2,815
-	-	30,623	-	(9,982)	-	20,640	-
(5,331)	5,322	421,817	477,754	(143,124)	(199,678)	278,693	278,076
-	-	271,396	335,827	(87,478)	(134,840)	183,918	200,987
-	-	10,807	10,590	(854)	(834)	9,952	9,756
-	60	25,008	20,308	(6,525)	(5,173)	18,483	15,135
-	-	30,055	-	(43,703)	-	(13,649)	-
-	60	337,266	366,725	(138,561)	(140,847)	198,705	225,878
5,331	25,858	454,577	451,793	(185,222)	(182,678)	269,355	269,114
(5,331)	(7,983)	(35,679)	(16,401)	15,749	16,283	(19,930)	(118)
(5,331)	(31,168)	(11,535)	495	11,535	(495)	-	-
-	19,911	5,430	24,790	(3,368)	(23,453)	2,061	1,338
-	-	(39,546)	-	39,546	-	-	-
-	-	(17,091)	(18,515)	6,738	7,246	(10,352)	(11,269)
-	(630)	(1,082)	(2,059)	-	657	(1,082)	(1,402)
-	-	6,591	16,301	(427)	(3,439)	6,164	12,862
-	(657)	2,363	(1,826)	(931)	657	1,432	(1,169)
(5,331)	5,331	364,029	454,577	(116,381)	(185,222)	247,648	269,355
-	3,205	335,827	339,326	(134,840)	(134,826)	200,987	204,500
-	(1,712)	(28,742)	(7,857)	15,678	7,857	(13,064)	-
-	10,469	860	11,030	(818)	(10,664)	43	366
-	(1,769)	(36,818)	(9,631)	31,317	4,181	(5,501)	(5,451)
-	46	216	2,789	1,185	(1,388)	1,402	1,401
-	(10,239)	-	-	-	-	-	-
-	-	52	171	-	-	52	171
-	-	271,396	335,827	(87,478)	(134,840)	183,918	200,987

## Development &amp; Asset Management sub-segment in thousands of euros

	DEVELOPMENT				ASSET MANAGEMENT	
	Primary		Other		Rented out	
	2012	2011	2012	2011	2012	2011
<b>SUB-SEGMENT RESULT</b>						
Revenues	9,263	4,473	715	580	2,778	2,336
Changes in real estate projects under development	1,081	–	–	–	–	–
Sale of real estate	12,513	3,018	–	–	–	–
Other operating income	–	19	–	–	–	–
Materials and services received	(533)	(532)	(556)	(483)	(458)	(658)
Project development expenses	(9,197)	(3,107)	–	–	–	–
Personnel expenses	(3,913)	(3,717)	–	–	(226)	–
Other operating expenses	(1,959)	(2,436)	(50)	(112)	(750)	(7)
Scheduled amortization and depreciation	(124)	(214)	(49)	(22)	(693)	(749)
Impairments	(257)	(1,460)	–	–	–	–
Write-ups	716	–	–	–	2,014	–
<b>Contribution to the operating profit of the Development &amp; Asset Management segment</b>	<b>7,590</b>	<b>(3,957)</b>	<b>60</b>	<b>(37)</b>	<b>2,665</b>	<b>921</b>
<b>Thereof sales revenues in</b>						
• Czech Republic	366	379	–	–	–	–
• Hungary	–	–	–	–	1,201	1,205
• Poland	8,813	2,979	715	580	787	787
• Germany	–	–	–	–	73	343
• Austria	84	1,115	–	–	–	–
• Russia	–	–	–	–	717	–
<b>Thereof contribution to operating profit</b>						
• Czech Republic	(88)	(86)	–	–	–	–
• Hungary	686	(171)	–	–	2,303	378
• Poland	868	(2,170)	60	(37)	163	319
• Russia	–	(125)	–	–	(4)	–
• Germany	(65)	3	–	–	203	225
• Austria	5,900	(2,428)	–	–	–	–
• Luxembourg	288	1,021	–	–	–	–
<b>SUB-SEGMENT CASH FLOW DEVELOPMENT &amp; ASSET MANAGEMENT</b>						
Cash receipts from rent	1,283	970	577	613	2,498	2,492
Interest received	111	73	21	9	54	4
Cash receipts from development	10,782	3,700	–	–	–	–
Cash paid for development	(8,641)	(2,783)	–	–	–	–
Expenses for materials	(448)	(510)	(501)	(456)	(301)	(675)
Personnel expenses	(3,178)	(4,212)	–	–	(226)	(0)
Cash paid for other expenses	(2,047)	(2,047)	(52)	(108)	(671)	221
Income tax	(64)	(14)	–	–	(5)	13
<b>Cash flow from operating activities</b>	<b>(2,202)</b>	<b>(4,822)</b>	<b>46</b>	<b>59</b>	<b>1,350</b>	<b>2,054</b>
<b>Thereof in</b>						
• Czech Republic	(84)	(108)	–	–	–	–
• Hungary	(169)	(33)	–	–	480	1,368
• Poland	2,560	300	46	59	503	455
• Russia	–	(6)	–	–	162	–
• Germany	(62)	5	–	–	206	231
• Austria	(4,407)	(4,946)	–	–	–	–
• Luxembourg	(40)	(34)	–	–	–	–

Under development & construction		Segment total on 31 December		Reconciliation difference		Total on 31 December	
2012	2011	2012	2011	2012	2011	2012	2011
–	–	12,756	7,388	(1,530)	(1,077)	11,227	6,312
–	–	1,081	–	–	–	1,081	–
–	–	12,513	3,018	(12,179)	–	334	3,018
–	–	–	19	–	(19)	–	–
–	–	(1,546)	(1,673)	220	410	(1,326)	(1,262)
–	–	(9,197)	(3,107)	65	107	(9,132)	(3,001)
–	–	(4,139)	(3,717)	226	174	(3,913)	(3,543)
–	–	(2,759)	(2,555)	471	194	(2,289)	(2,361)
–	–	(866)	(986)	291	194	(575)	(792)
–	(7,492)	(257)	(8,952)	–	6,724	(257)	(2,228)
3,043	–	5,773	–	(3,043)	–	2,730	–
3,043	(7,492)	13,358	(10,564)	(15,478)	6,708	(2,120)	(3,857)
–	–	366	379	–	–	366	379
–	–	1,201	1,205	–	–	1,201	1,205
–	–	10,315	4,345	(749)	(761)	9,566	3,584
–	–	73	343	(73)	(343)	–	–
–	–	84	1,115	9	28	93	1,143
–	–	717	–	(717)	–	–	–
–	–	(88)	(86)	5	14	(83)	(72)
–	(927)	2,989	(721)	–	–	2,989	(721)
–	–	1,092	(1,888)	(735)	(147)	356	(2,035)
3,043	(6,564)	3,039	(6,690)	(3,039)	6,690	–	–
–	–	138	228	(138)	(228)	–	–
–	–	5,900	(2,428)	(11,571)	379	(5,671)	(2,049)
–	–	288	1,021	–	–	288	1,021
–	–	4,353	4,075	(1,542)	(943)	2,816	3,132
–	–	186	86	(56)	(31)	130	55
–	–	10,782	3,700	–	(19)	10,782	3,682
–	–	(8,641)	(2,783)	65	689	(8,576)	(2,093)
–	–	(1,250)	(1,640)	62	454	(1,187)	(1,186)
–	–	(3,404)	(4,212)	226	227	(3,178)	(3,985)
2,838	(3,456)	69	(5,390)	(2,363)	3,393	(2,294)	(1,998)
–	–	(68)	(1)	3	(12)	(65)	(13)
2,838	(3,456)	2,031	(6,165)	(3,605)	3,759	(1,574)	(2,406)
–	–	(84)	(108)	5	14	(79)	(94)
–	–	310	1,336	–	–	310	1,336
–	–	3,108	813	(476)	(446)	2,632	367
2,838	(3,456)	3,000	(3,462)	(3,000)	3,462	–	–
–	–	144	236	(144)	(236)	–	–
–	–	(4,407)	(4,946)	9	964	(4,398)	(3,981)
–	–	(40)	(34)	–	–	(40)	(34)

	DEVELOPMENT				ASSET MANAGEMENT	
	Primary		Other		Rented out	
	2012	2011	2012	2011	2012	2011
<b>ANALYSIS OF SUB-SEGMENT ASSETS DEVELOPMENT &amp; ASSET MANAGEMENT</b>						
Property, plant and equipment and goodwill	16,910	11,547	725	679	28,624	15,710
Joint ventures	10,326	5,335	–	–	–	(953)
Other non-current assets	9,675	9,576	–	–	110	53
Other current assets	9,914	5,798	255	88	504	180
Cash and cash equivalents	3,325	4,221	17	31	26	117
IFRS 5 assets	1,418	–	–	–	7,955	–
<b>Sub-segment assets</b>	<b>51,567</b>	<b>36,478</b>	<b>997</b>	<b>798</b>	<b>37,219</b>	<b>15,106</b>
Convertible bonds, interest-bearing loans and borrowings	73,336	86,133	137	115	11,804	12,532
Other non-current liabilities	6,690	6,698	–	–	636	451
Other current liabilities	8,947	4,675	147	88	951	476
IFRS 5 liabilities	–	–	–	–	–	–
<b>Sub-segment liabilities</b>	<b>88,974</b>	<b>97,506</b>	<b>284</b>	<b>203</b>	<b>13,391</b>	<b>13,459</b>
<b>Analysis of assets DEVELOPMENT &amp; ASSET MANAGEMENT</b>						
At 1 January	11,547	9,061	679	776	15,710	20,104
Changes in the scope of consolidation	–	3,425	–	–	(2,936)	(3,327)
Segment reclassifications	5,331	–	–	–	14,163	(495)
Additions	325	663	28	5	115	173
Disposals	(855)	–	–	–	–	–
Scheduled write-down	(124)	(214)	(49)	(22)	(693)	(749)
Impairments	(257)	(1,460)	–	–	–	–
Write-ups	716	–	–	–	2,014	–
Exchange effects	227	74	67	(80)	252	4
<b>Fixed assets on 31 December</b>	<b>16,910</b>	<b>11,547</b>	<b>725</b>	<b>679</b>	<b>28,624</b>	<b>15,710</b>
<b>Analysis of financial liabilities DEVELOPMENT &amp; ASSET MANAGEMENT</b>						
Loans on 1 January	86,133	70,709	115	217	12,532	15,243
Changes in the scope of consolidation	–	3,425	–	–	–	(1,792)
New borrowings	8,754	15,798	93	17	1,641	–
Issue of convertible bonds	–	16,833	–	–	–	–
Repayment of loans	(23,285)	(18,028)	(83)	(42)	(2,635)	(919)
Capitalized interest	433	(810)	–	–	–	–
Segment reclassifications	–	–	–	–	–	–
Exchange effects	1,300	(1,794)	11	(77)	265	–
<b>Loans on 31 December</b>	<b>73,336</b>	<b>86,133</b>	<b>137</b>	<b>115</b>	<b>11,804</b>	<b>12,532</b>

Under development & construction		Segment total on 31 December		Reconciliation difference		Total on 31 December	
2012	2011	2012	2011	2012	2011	2012	2011
46,565	48,504	92,824	76,440	(67,660)	(53,943)	25,164	22,498
–	(6,927)	10,326	(2,545)	74,610	94,797	84,936	92,252
5,731	5,110	15,515	14,739	(5,731)	(5,110)	9,785	9,629
731	3,908	11,403	9,974	(1,091)	(4,345)	10,312	5,629
375	3,684	3,743	8,053	(400)	(3,852)	3,343	4,201
–	–	9,373	–	(5,175)	–	4,198	–
<b>53,401</b>	<b>54,280</b>	<b>143,185</b>	<b>106,661</b>	<b>(5,447)</b>	<b>27,548</b>	<b>137,738</b>	<b>134,209</b>
24,073	24,073	109,350	122,854	(24,594)	(25,428)	84,756	97,426
2,967	2,419	10,293	9,568	(2,931)	11,716	7,362	21,284
991	2,542	11,037	7,781	(1,779)	(2,896)	9,258	4,885
–	–	–	–	–	–	–	–
<b>28,031</b>	<b>29,035</b>	<b>130,680</b>	<b>140,203</b>	<b>(29,303)</b>	<b>(16,608)</b>	<b>101,376</b>	<b>123,595</b>
48,504	32,920	76,440	62,861	(53,943)	(41,412)	22,498	21,449
–	–	(2,936)	98	2,936	3,327	–	3,425
(7,959)	–	11,535	(495)	(11,535)	495	–	–
1,475	23,076	1,942	23,916	(1,468)	(23,270)	474	646
–	–	(855)	–	855	–	–	–
–	–	(866)	(986)	291	194	(575)	(792)
–	(7,492)	(257)	(8,952)	–	6,724	(257)	(2,228)
3,043	–	5,773	–	(3,043)	–	2,730	–
1,503	–	2,048	(2)	(1,754)	–	294	(2)
<b>46,565</b>	<b>48,504</b>	<b>92,824</b>	<b>76,440</b>	<b>(67,660)</b>	<b>(53,943)</b>	<b>25,164</b>	<b>22,498</b>
24,073	6,894	122,854	93,063	(25,428)	(10,246)	97,426	82,817
–	–	–	1,633	–	1,792	–	3,425
–	20,799	10,489	36,614	(1,641)	(20,799)	8,848	15,815
–	–	–	16,833	–	–	–	16,833
–	(3,621)	(26,003)	(22,610)	2,475	3,826	(23,527)	(18,784)
–	–	433	(810)	–	–	433	(810)
–	–	–	–	–	–	–	–
–	–	1,577	(1,870)	–	–	1,577	(1,870)
<b>24,073</b>	<b>24,073</b>	<b>109,350</b>	<b>122,854</b>	<b>(24,594)</b>	<b>(25,428)</b>	<b>84,756</b>	<b>97,426</b>



**[06] Notes to the consolidated statement of comprehensive income****6.01. Sales revenues and other income**

Sales revenues contain revenues received from transactions with joint ventures amounting to EUR 150,961 (2011: EUR 311,053).

**6.02 a) Expenses for materials and services received**

This item contains all expenses relating to revenues from the operation of hotels and resorts, insofar as they are attributable to the "Cost of sales" or "Direct expenses" of the hotel operations. Also included in this item are utilities expenses incurred for investment properties which could not be recharged.

Expenses for materials and services received contain management fees from the segment Hotels & Resorts. Of these management fees, EUR 3,593,624 (2011: EUR 3,150,513) were paid to related parties (Vienna International AG).

**b) Expenses for project development**

This item contains expenses for projects which are currently under development. In the reporting period, these expenses pertain nearly entirely to the Prozna Properties project.

**6.03. Personnel expenses:**

	2012	2011
Wages and salaries	(14,701,100)	(14,656,540)
Social security costs	(2,867,318)	(2,879,668)
Other payroll-related taxes and contributions	(626,181)	(601,191)
Voluntary employee benefits	(14,113)	(14,184)
Expenses for posted employees	(877,389)	(926,049)
Changes in reserves and expenses related to pensions and severance payments	224,016	(14,471)
Changes in accrual for compensated absences	(167,127)	(117,906)
	(19,029,211)	(19,210,010)
Changes in payroll-related provisions (Note 20)	(205,857)	453,589
	(19,235,068)	(18,756,421)

Director's remuneration is included in expenses for wages and salaries at an amount of EUR 1,442,984 (2011: EUR 1,380,314). This includes bonus entitlements in the amount of EUR 379,360 (2010: EUR 324,000).

The director's bonus amounts to 5 per cent of the annual profit attributable to the shareholders of the parent and is voluntarily deferred by the members of the Management Board when needed.

The total remuneration paid to the individual members of the Management board in the reporting period is as follows:

Franz Jurkowitsch	424,537
Georg Folian	424,537
Alexander Jurkowitsch	296,661
Christian Fojtl	297,249
	<u>1,442,984</u>

As regards Company pension schemes, pension plan commitments exist for the directors. Pension reimbursement insurance was taken out for these commitments. The right to pension benefits starts when the eligible person reaches the legal retirement age of 65 years.

Eligibility to pension benefits for the Management Board members under the Company pension plan lapses if the employment contract is terminated for the grounds stated in Section 27 Employees Act, or if a director resigns or terminates his or her work contract for no material reason. With regards to the pension reimbursement insurance, in the event that a director terminates his or her employment contract prior to reaching the age of 65, he or she will not be entitled to pension benefits; instead, the Company will be entitled to the reimbursement of the surrender value of the policy.

The personnel expenses include entitlements of Christian Fojtl resulting from the termination of his assignment to the Management Board as of 31 December 2012. See also Note 24.3.

During the reporting period, the Group employed an average of 1,114 (2011: 1,150) employees.

#### 6.04. Write-downs and impairment:

	2012	2011
Scheduled amortization and depreciation	(10,927,055)	(12,061,178)
Impairments	(1,339,048)	(3,629,957)
Write-ups	8,893,642	12,861,965
	<u>(3,372,461)</u>	<u>(2,829,171)</u>

Appraisals were obtained from CBRE for all properties as of the reporting date of 31 December. These valuations are based on assumptions about the future development of earnings that reflect the current market conditions at the reporting date. In accordance with IFRS, all assets revealed to be impaired were written down to the lower recoverable amounts on the reporting date. Thanks to better forecasts, impairments recognized in previous years were reversed in part in the reporting period.

#### 6.05. Other operating expenses break down as follows:

	2012	2011
Legal fees	(760,689)	(1,228,363)
Administrative costs	(1,065,760)	(1,195,624)
Advertisement and marketing	(332,297)	(425,071)
Non-recoverable VAT	(427,760)	(414,913)
Lease payments for andel's Krakow and other rents	(2,595,127)	(2,405,395)
Property costs	(966,899)	(1,355,565)
Foreign exchange differences	(536,915)	(70,609)
<i>thereof valuation of PORR andel's Łódź</i>	<i>(396,279)</i>	<i>–</i>
Impairment charges (reversal of impairment) for current assets	(238,700)	(211,746)
Others	(848,812)	(402,348)
	<u>(7,772,958)</u>	<u>(7,709,635)</u>

Non-recoverable VAT primarily results from the Dvořák spa hotel in Karlovy Vary, Czech Republic, as this hotel operates a VAT-exempt medical spa in addition to the hospitality business. Property costs consist primarily of insurance premiums and property taxes.

During the 2012 financial year, fees were paid to the Group financial auditor, Ernst & Young Wirtschaftsprüfungs GmbH, Vienna, as follows: EUR 108,000 (2011: EUR 108,000) for auditing services, EUR 0 (2011: EUR 0) for other attestation services, and EUR 7,155 (2011: EUR 10,900) for other services.

**6.06. Finance costs**

	2012	2011
Interest on short-term borrowings, project loans and other loans	(14,012,228)	(13,622,374)
Interest on convertible bonds	(1,240,813)	(835,747)
Interest on purchase price claim extension agreement for andel's hotel Łódź	(688,775)	(612,682)
Interest on loans from minority shareholders	(239,483)	(155,655)
Discount expenses on other loans	(536,834)	–
	<u>(16,718,133)</u>	<u>(15,226,457)</u>
Interest cost for provisions for pensions and other long-term employee benefits	(147,659)	(160,298)
Foreign exchange differences on loans denominated in CHF	(164,111)	(674,962)
Foreign currency losses in connection with the PLN convertible bond	(1,188,425)	–
Other finance costs	(1,113,277)	(1,285,713)
	<u>(19,331,604)</u>	<u>(17,347,430)</u>
Unrealized losses on derivative financial instruments	(6,792)	(1,546,635)
thereof from the cross currency swap in connection with the convertible bond EUR 0 (2011: EUR 1,511,337)		
	<u>(19,338,397)</u>	<u>(18,894,065)</u>

The item “Unrealized losses on derivative financial instruments” pertains to the valuation of the interest rate swap for the angelo hotel in Prague (see also Note 26.3.).

For information on the terms and conditions of interest-bearing loans and borrowings, please refer to Note 22.6. Finance costs include lending commitment fees, costs connected with the assumption of financial liabilities and other loan-related costs distributed over the respective terms using the effective interest rate method.

Foreign exchange differences on loans denominated in CHF relate to unrealized losses from the valuation of two loans for which no hedges exist against foreign currency exposure; please refer to Note 22.3. and Note 25.2.

**6.07. Financial revenue**

	2012	2011
Interest income from cash management	135,617	702,599
Foreign currency gains in connection with the PLN convertible bond	–	1,782,851
Foreign currency gains in connection with the financing of subsidiaries	1,311,039	–
Gains/losses on the sale of available-for-sale investments	–	344,985
	<u>1,446,656</u>	<u>2,830,434</u>
Unrealized gains on derivative financial instruments	974,290	1,042,560
thereof from the cross currency swap in connection with the convertible bond EUR 972,850 (2011: EUR 0)		
	<u>2,420,946</u>	<u>3,872,994</u>

The foreign currency gains in connection with the financing of subsidiaries pertain to subsidiaries whose functional currency is the respective local currency and the financing is denominated in euros.

The item “Unrealized gains on derivative financial instruments” pertains to the valuation of the cross currency swap (see Note 26.3.) and the expired back stock option (see also Note 26.4.).

**[07] Income tax**

A reconciliation between income tax expense and the product of accounting profit multiplied by the Group's domestic tax rate (valid corporate income tax rate in Austria) of 25 per cent for the reporting period (2011: 25 per cent) is as follows:

	2012	2011
<b>Profit before tax</b>	<b>8,929,839</b>	<b>7,076,798</b>
Accounting profit before income tax x 25% (prior year: 25%)	(2,232,460)	(1,769,200)
± Other foreign tax rates	(720,609)	(377,946)
± Tax-free profits from the participation exemption (§ 10 KStG)	2,329,110	1,876,611
± Permanent differences	(457,162)	(586,712)
± Impairment of deferred tax assets*)	1,939,390	2,272,121
± Effects of exchange rate fluctuations	(123,151)	(1,251,189)
	<u>735,118</u>	<u>163,686</u>
Effective tax rate	-8.23%	-2.31%

\*) Income from the release of impairment losses on deferred taxes resulted primarily from unrecognized loss carryforwards that were used during the reporting period, as well as from unrecognized deferred taxes on assets for which impairment losses have been recognized but for which these impairment losses were reversed in part during the reporting year.

In both the reporting period and the prior periods, no deferred tax liabilities were recognized for unremitted earnings of subsidiaries, since intragroup dividend distributions within the European Union are not taxed.

Deferred tax assets and liabilities were, however, recognized for all temporary differences associated with joint ventures. Deferred tax assets and liabilities were, however, recognized for all temporary differences associated with equity instruments in subsidiaries in the outside base differences.

Deferred tax assets according to IAS 12.44 (outside basis differences) in the amount of EUR 120,220.96 (2011: EUR 439,697.18) were not recognized because the temporary differences are not expected to reverse in the foreseeable future.

Deferred tax liabilities according to IAS 12.38 (outside basis differences) in the amount of EUR 650,889.51 (2011: EUR 477,346.23) were not recognized because the temporary differences are not expected to reverse in the foreseeable future.

**Deferred tax assets and liabilities in detail**

	Deferred tax assets		Deferred tax liabilities	
	2012	2011	2012	2011
Temporary differences from property, plant and equipment	5,423,799	2,720,868	(16,271,249)	(13,033,056)
Revaluation of property, plant and equipment	–	–	(1,286,101)	(1,286,101)
Temporary differences from investments in subsidiaries and joint ventures	10,529,177	13,401,561	(5,851,803)	(8,473,546)
Valuation differences in current assets	31,218	6,489	(1,182,815)	(1,192,494)
Temporary differences from pension provisions and other long-term employment benefits	409,984	231,154	–	–
Temporary differences from liabilities and provisions	1,750,824	3,224,924	(651,665)	(1,261,280)
Tax loss carry-forwards	22,194,870	23,400,183	–	–
Impairment of deferred tax assets*)	(26,657,320)	(29,773,434)	–	–
	13,682,552	13,211,745	(25,243,634)	(25,246,476)
Offset within legal tax units and jurisdictions	(13,133,787)	(12,860,090)	13,133,787	12,860,090
	548,765	351,654	(12,109,847)	(12,386,386)

\*) Impairment of deferred taxes principally relates to those tax loss carry-forwards for which it is not probable that future taxable profits will be available against which the unused tax losses can be utilized.

**The deferred tax items changed as follows:**

	Deferred tax assets		Deferred tax liabilities	
	2012	2011	2012	2011
Balance of deferred items on 1 January	351,654	305,916	(12,386,386)	(12,850,989)
Changes recognized in equity in connection with				
• Foreign currency translation	2,226	(5,048)	(429)	994
• Other result from joint ventures	6,194	–	–	–
• Revaluation of available-for-sale securities	(296,426)	–	(526,232)	–
• Cash flow hedges	–	–	10,520	26,394
Change recognised in the profit for the period	485,118	50,787	792,680	437,214
Balance on 31 December	548,765	351,654	(12,109,847)	(12,386,386)

**[08] Share capital, earnings per share**

The Company's share capital is divided into 54,000,000 non-par-value shares.

At the reporting date, the Company had purchased 66,500 treasury shares at an average price of EUR 4.53 per share.

The weighted average number of shares in free float between 1 January and 31 December 2012 was 53,933,500.

	2012	2011
Shares 1/1–31/12	54,000,000	54,000,000
Less treasury shares	-66,500	-66,500
Weighted average number of shares	53,933,500	53,933,500
Dilution effect: option to purchase shares	–	–
Dilution effect: convertible bond	5,179,828	3,107,897
Weighted average number of shares adjusted for the dilution effect	59,113,328	57,041,397
	2012	2011
Earnings per share: (based on the weighted average number of shares)		
Profit for the period allocable to the shareholders of the Group		
Undiluted	7,587,197	6,478,723
Diluted	8,828,009	7,314,470
Earnings per share, undiluted = diluted	0.14	0.12

When calculating the undiluted earnings per share, the result attributable to the holders of shares in the parent company is divided by the weighted average number of shares in circulation during the reporting period.

When calculating the diluted earnings per share, the result attributable to the holders of shares in the parent company (after deduction of interest paid on the convertible bond) is divided by the weighted average number of shares in circulation during the reporting period plus the weighted average number of shares that would result from the conversion of the convertible bond.

According to the Austrian Stock Corporation Act, the separate financial statements as of 31 December 2012 of the parent company Warimpex Finanz- und Beteiligungs AG, which have been prepared under the Austrian Uniform Commercial Code, provide the basis for the declaration of a dividend.

These financial statements show a loss for the period in the amount of EUR 27,636,977. Including the loss carried forward from the prior year in the amount of EUR 33,828,401 and after the release of the free and restricted reserves to cover what would be a negative result for the period, the result for the period is EUR 0. The managing directors propose to the annual general meeting to carry forward the result for the period.

**[09] Property, plant and equipment**

EUR	Land and equivalent rights	Buildings incl. buildings on lease-hold land	Business equipment, (hotel) furniture	Plant	Total
<b>31 December 2011</b>					
Net carrying amount at 1 January 2011	48,520,398	205,676,805	19,478,174	776,441	274,451,818
Additions/disposals through other changes in the scope of consolidation	3,388,773	(38,571)	(43,862)	–	3,306,340
Additions from investments	13,614	425,985	1,366,714	5,255	1,811,568
Depreciation	(197,115)	(5,919,210)	(5,265,606)	(22,134)	(11,404,065)
Impairment charges	–	(2,654,452)	(48,252)	–	(2,702,704)
Write-ups	–	12,669,744	192,221	–	12,861,965
Exchange adjustments	(224,023)	(731,427)	(139,884)	(80,426)	(1,175,761)
<b>Net carrying amount at 31 December 2011</b>	<b>51,501,647</b>	<b>209,428,873</b>	<b>15,539,505</b>	<b>679,136</b>	<b>277,149,161</b>
Acquisition or production cost	54,224,838	285,388,162	35,126,172	885,345	375,624,517
Accumulated depreciation and impairment	(2,723,191)	(75,959,289)	(19,586,667)	(206,209)	(98,475,356)
	<b>51,501,647</b>	<b>209,428,873</b>	<b>15,539,505</b>	<b>679,136</b>	<b>277,149,161</b>
<i>thereof property under construction</i>	<i>2,319,889</i>	<i>1,164,334</i>	<i>–</i>	<i>–</i>	<i>3,484,223</i>
<b>31 December 2012</b>					
Net carrying amount at 1 January 2012	51,501,647	209,428,873	15,539,505	679,136	277,149,161
Additions from investments	509,655	189,472	1,786,831	27,818	2,513,776
Transfers according to Note 4.02.	(2,437,924)	(16,765,699)	(726,378)	–	(19,930,000)
Depreciation	(201,780)	(6,961,690)	(3,217,551)	(49,224)	(10,430,245)
Impairment charges	–	(1,339,048)	–	–	(1,339,048)
Write-ups	715,500	4,690,572	1,473,153	–	6,879,225
Exchange adjustments	416,425	1,088,532	153,776	67,039	1,725,772
<b>Net carrying amount at 31 December 2012</b>	<b>50,503,523</b>	<b>190,331,012</b>	<b>15,009,337</b>	<b>724,770</b>	<b>256,568,642</b>
Acquisition or production cost	52,658,440	260,913,658	35,628,391	984,472	350,184,961
Accumulated depreciation and impairment	(2,154,917)	(70,582,646)	(20,619,054)	(259,702)	(93,616,319)
	<b>50,503,523</b>	<b>190,331,012</b>	<b>15,009,337</b>	<b>724,770</b>	<b>256,568,642</b>
<i>thereof property under construction</i>	<i>7,388,192</i>	<i>576,075</i>	<i>–</i>	<i>–</i>	<i>7,964,267</i>

Impairment of “Property, plant and equipment” was recognized in the amount of EUR 1,339,048 (2011: EUR 2,702,704) because an external appraisal showed a lower recoverable amount than the carrying value on the reporting date.

On the other hand, impairments recognized on “Property, plant and equipment” in the previous year were reversed in the amount of EUR 6,879,225 in the reporting period (2011: EUR 12,861,965) because an external appraisal showed a higher recoverable amount than the amortized cost on the reporting date.

Property, plant and equipment with a carrying value of EUR 254,324,588 (2011: EUR 274,585,581) are subject to a first charge to secure the Group’s loans (Note 22.3.).

The Group's uniform estimates for the assets' useful lives are as follows:

	2012	2011
• Buildings (including finance leasing)	Av. 35 years	Av. 35 years
• Furniture, fixtures and equipment	7–10 years	7–10 years
• Plant	20 years	20 years

Hotels are separated into the following components according to IAS 16.43 component approach: building fabric (estimated useful life: 60 years), heating facilities and technical equipment (estimated useful life: 15 years) and furnishings, fixtures and equipment (estimated useful life: 7 years), each based on the historical acquisition date and the remaining useful life.

## [10] Investment properties

Investment properties are measured at historical cost less accumulated depreciation, which is calculated on a straight-line basis, and accumulated impairment in value. The estimated average useful life for investment properties is 35 years. During the reporting period, the item changed as follows:

	2012	2011
Net carrying amounts at 1 January	13,562,844	14,893,989
Additions	20,921	147,217
Depreciation	(399,960)	(555,471)
Impairment charges	–	(927,253)
Write-ups	2,014,417	–
Exchange adjustment	–	4,362
Net carrying amount at 31 December	15,198,222	13,562,844
Acquisition or production cost	18,463,356	18,438,831
Accumulated depreciation and impairment	(3,265,134)	(4,875,988)
Net carrying amount at 31 December	15,198,222	13,562,844
<i>Fair market value as of year end according to appraiser's valuation opinion: in line with the Group share</i>	16,050,000	14,420,000
<i>Thereof pledged as first-ranked collateral for interest-bearing loans</i>	15,198,222	13,740,000
<i>Thereof land value</i>	1,466,781	1,466,781

Result from "Investment properties":

	2012	2011
Rental income and charged expenses	1,201,019	1,205,492
Direct expenses	(237,740)	(247,729)
Maintenance and repair	(113,584)	–
Net rental income	849,695	957,763

Write-ups on "Investment properties" amounting to EUR 2,014,417 were made for a property up to its amortized historical cost because the value stabilized again compared to the previous year.



**[11] Intangible assets**

	Computer software	Goodwill	Total
<b>31 December 2011</b>			
Net carrying amount at 1 January 2011	295,867	921,266	1,217,133
Additions from investments	25,262	–	25,262
Depreciation	(101,643)	–	(101,643)
Exchange adjustment	(16)	–	(16)
<b>Net carrying amount at 31 December 2011</b>	<b>219,470</b>	<b>921,266</b>	<b>1,140,737</b>
Acquisition or production cost	4,099,994	921,266	5,021,260
Accumulated depreciation and impairment	(3,880,524)	–	(3,880,524)
	<b>219,470</b>	<b>921,266</b>	<b>1,140,737</b>
<b>31 December 2012</b>			
Net carrying amount at 1 January 2012	219,470	921,266	1,140,737
Additions from investments	906	–	906
Depreciation	(96,850)	–	(96,850)
Exchange adjustment	31	–	31
<b>Net carrying amount at 31 December 2012</b>	<b>123,556</b>	<b>921,266</b>	<b>1,044,823</b>
Acquisition or production cost	4,135,121	921,266	5,056,387
Accumulated depreciation and impairment	(4,011,565)	–	(4,011,565)
	<b>123,556</b>	<b>921,266</b>	<b>1,044,823</b>

**[12] Goodwill**

Goodwill acquired in business combinations has been allocated to angelo hotel Prague for impairment testing.

The recoverable amount of the cash-generating unit is determined on the basis of the respective fair market value less costs of sale in accordance with an external expert opinion.

The discounted cash flow (DCF) approach was used to calculate the fair value of the property. The capitalization factor (yield) for the calculation was 8.0 per cent (2011:8.0 per cent). The yield reflects the current market valuation arising from uncertainties about the amounts and timing of future cash flows. The projected cash flow is based on the approved budget for the angelo hotel Prague.

## [13] Joint ventures

As of the reporting date, the Group held the following interests in joint ventures engaged in the following business activities:

UBX Development (France) s.a.r.l.	holding company for UBX II (France) s.a.r.l.
UBX II (France) s.a.r.l.	Leaseholder of DreamCastle hotel Paris (finance lease)
Hotelinvestments s.a.r.l.	(guarantor for UBX II [France] s.a.r.l.)
Hotel Paris II s.a.r.l.	Leaseholder of Magic Circus hotel Paris (finance lease)
Ipopema Fund S.A.	(holds the shares of Sienna Hotel S.K.A.)
Sienna Hotel S.K.A. Lanzarote Investments Sp.	
(formerly Sienna Hotel Sp.z.o.o.)	Operates the InterContinental hotel in Warsaw
Lanzarote Sp.z.o.o.	(general partner in Sienna Hotel S.K.A.)
UBX 1 Objekt Berlin Ges.m.b.H	Owens and operates the andel's hotel Berlin
UBX 2 Objekt Berlin Ges.m.b.H	(owner/developer of the property next to andel's hotel Berlin)
UBX 3 Objekt Berlin Ges.m.b.H	(owner/developer of the property next to andel's hotel Berlin)
Berlin Konferenz Betriebs GmbH	(SPV for project development in UBX 2&3 Berlin GesmbH)
Bürohaus Leuchtenbergring	
- GmbH & Co Besitz KG	(limited partner for GmbH & Co KG), recognized according to IFRS 5
- VerwaltungsGmbH	(general partner for GmbH & Co KG), recognized according to IFRS 5
- GmbH & Co KG	(owns the angelo hotel Munich, working on the expansion of the project)
	recognized according to IFRS 5
Leuchtenbergring HotelbetriebsgesmbH	Lessee of angelo hotel Munich, recognized according to IFRS 5
UBX Katowice Sp.z.o.o.	Owens and operates the angelo hotel Katowice
UBX Plzen s.r.o.	Owens and operates the angelo hotel Plzeň
UBX 3 s.r.o.	(hotel project development in the Czech Republic)
GF Ramba Sp.z.o.o.	Owens and operates the Parkur Tower office building
OAo Avien AG	Owens and operates the Airport City hotel St. Petersburg
	Owens and operates the Jupiter 1 & 2 office tower in St. Petersburg
	Developing the Zeppelin office tower in St. Petersburg

### 13.1. Breakdown of joint ventures

	2012	2011
Interests in joint ventures	38,382,271	38,176,378
Result from joint ventures	(24,400,803)	(24,495,870)
Loans to joint ventures	76,261,596	96,718,873
Accumulated impairment on loans	(5,306,861)	(18,146,892)
	<u>84,936,203</u>	<u>92,252,489</u>

**13.2. Changes in joint ventures**

	2012	2011
Net carrying amounts at 1 January	92,252,489	78,511,087
± Changes in interests	228,392	8,614,634
<i>(thereof increases from contributions in kind)</i>	–	6,073,135
Reductions in interests due to sales	–	(668,750)
Transfers according to Note 4.02.	(22,500)	–
± Allocated results	146,425	(6,187,508)
<i>(thereof allocations to “Other result”)</i>	(24,774)	–
Reductions in allocated results due to sales	–	(972,468)
Transfers according to Note 4.02.	(59,312)	–
± Loans to joint ventures	(16,340,777)	4,350,212
Repayment of loans due to sales	–	(8,562,744)
Transfers according to Note 4.02.	(4,116,500)	–
± Impairment of loans to joint ventures	12,840,031	13,679,999
<i>(thereof transfer of “Allocated results”)</i>	–	6,073,135
Use of impairment provisions due to sales	–	3,488,028
Net carrying amount on 31 December	84,936,203	92,252,489

**13.3. Result from joint ventures**

Allocated results	179,153	(114,373)
Interest charged on loans	5,474,410	4,788,637
Impairments on loans	(697,841)	(2,249,317)
Write-up on loans	13,537,872	9,856,180
± Provisions related to joint ventures	(60,546)	154,409
	18,433,048	12,435,537
<i>thereof sale of InterContinental Warsaw</i>	11,580,357	–
	17,843,866	12,435,537

**13.4. Cash flow from joint ventures**

Carrying amount changes from the balance sheet	7,316,286	(25,887,672)
Current result from joint ventures	18,433,048	12,435,537
Other result from joint ventures	(24,774)	–
Less changes in provisions related to joint ventures	60,546	(154,409)
Disposal from sales	–	(6,715,934)
Transfers according to Note 4.02.	(4,198,312)	–
	21,586,794	(20,322,479)

**13.5. Other information about joint ventures**

The following table contains summarized financial information about interests in joint ventures. The amounts are adjusted for the Group's share:

Share of the assets and liabilities of the joint ventures	2012	2011
Current assets	26,577,504	19,680,855
Non-current assets*)	196,603,556	247,246,805
Current liabilities	(37,591,552)	(31,222,973)
Non-current liabilities	(177,585,192)	(234,799,350)
Equity	8,004,316	905,336
Share of the revenue and result of the joint ventures	2012	2011
Revenues	51,628,488	45,951,504
Result	7,113,109	897,654

\*) Without imbalances from loans extended to joint venture partners independent of their share in the company

**[14] Other financial assets**

	2012	2011
Loans and other non-current receivables	5,081,821	5,743,229
Deposits with banks pledged as collateral	1,507,879	1,510,675
Pension reimbursement insurance rights	2,987,993	2,213,832
Other non-current financial assets	1,500,000	26,200
	11,077,694	9,493,936

Loans pertain primarily to a non-current purchase price receivable in the amount of EUR 8 million, which has been discounted at a rate of 12 per cent for a remaining term of 5 years. A change in the assessment resulted in discounting expenses of roughly EUR 0.5 million and was recognized in profit or loss.

Deposits with banks pledged as collateral relate to the hotel andel's Krakow, which was sold in 2009 (see also Note 23.5.). The other non-current assets pertain to a not freely available item of collateral (financial asset) in connection with the loan for angelo Airporthotel Bucharest.

Pension reimbursement insurance rights relate to pension reimbursement insurance taken out to cover a portion of the pension obligations owed by the Company to its directors. Other non-current receivables are related to long-term project loans and have been pledged to the financing institution.

**[15] Inventories**

	2012	2011
Materials and merchandise	833,920	1,497,460
Real estate projects under development or construction	1,124,196	–
	<u>1,958,116</u>	<u>1,497,460</u>

Materials and merchandise primarily relate to the hotels' stocks of food and beverages and are of a short-term nature. No write-down of inventories had to be charged to expense for these stocks.

The real estate projects under development or construction relate to investments in work being completed in buildings owned by third parties (the Prozna project in Warsaw). This consists primarily of tenant finishing work, which is expected to be handed over in the summer of 2013. See also the information in Note 23.2.

**[16] Financial instruments available for sale**

This item changed as follows:	2012	2011
As of 1 January	3,988,802	3,366,870
Additions (Palais Hansen contributions)	–	1,078,982
Reductions from sales	–	(446,862)
Other reclassifications and changes	–	(10,188)
Revaluation	3,290,631	–
Balance on 31 December	<u>7,279,433</u>	<u>3,988,802</u>

The available-for-sale securities pertain to a 9.88 per cent share in Palais Hansen Immobilienentwicklung GesmbH, which owns the Palais Hansen property. The conversion work for the construction of the hotel and apartments at Palais Hansen was largely completed during the reporting period. The hotel was opened in March 2013. Purchase agreements had already been signed for more than 75 per cent of the apartments at the time that this report was completed. As there is no active market for this shareholding, its measurement is based primarily on purchase prices for comparable apartment transactions, and for the hotel portion on a fair value calculated using the discounted cash flow method.

**[17] Trade and other receivables (current)**

	2012	2011
Trade receivables	3,358,544	2,109,987
<i>(thereof from the construction of the Le Palais office building Warsaw)</i>	<i>1,026,056</i>	<i>–</i>
Receivables from tax authorities	312,760	57,813
Receivables relating to the sale of subsidiaries	–	811,463
Advance payments made	740,678	135,061
Other current receivables and assets	801,527	1,799,717
Receivables due from joint ventures	76,948	295,090
Deferred expenses	544,617	615,905
	<u>5,835,074</u>	<u>5,825,035</u>

**Trade and maturities are as follows:**

• Neither overdue, nor bad debt provision made	2,446,029	1,407,887
• 30 days overdue, no bad debt provision made	532,395	341,762
• 60 days overdue, no bad debt provision made	125,571	200,594
• 90 days overdue, no bad debt provision made	88,259	89,494
• 120 days overdue, no bad debt provision made	18,872	39,741
• >120 days overdue, no bad debt provision made	147,417	30,509
• Impaired receivables	313,172	223,098
	<u>3,671,715</u>	<u>2,333,085</u>

**Specific provisions for trade receivables developed as follows:**

• At 1 January	(223,098)	(235,047)
• Use of provisions	–	234,681
• Allocation of provisions	(84,090)	(229,410)
• Exchange effects	(5,984)	6,677
• Balance on 31 December	<u>(313,172)</u>	<u>(223,098)</u>

Trade receivables are non-interest-bearing and generally have terms of ten to ninety days.

**[18] Cash and short-term deposits**

	2012	2011
Cash in hand	156,848	157,860
Cash at banks	6,511,935	5,542,033
Deposits for project loans	476,185	1,316,065
	<u>7,144,968</u>	<u>7,015,958</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods which depend on the liquidity requirements of the Group and range from one to six months. They earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents amounts to EUR 7,144,968 (2011: EUR 7,015,958).

**[19] Other reserves**

EUR	Revaluation reserve	Net unrealized gains/ losses	Foreign currency translation	Total
<b>As of 1 January 2011</b>	<b>5,358,755</b>	<b>(444,935)</b>	<b>(2,508,809)</b>	<b>2,405,011</b>
Foreign currency translation	–	–	(1,195,390)	(1,195,390)
(Deferred) tax effects of currency translation	–	–	(4,054)	(4,054)
Net gains/losses from hedging	–	(138,916)	–	(138,916)
(Deferred) tax effects from hedging	–	26,394	–	26,394
<b>As of 31 December 2011</b>	<b>5,358,755</b>	<b>(557,458)</b>	<b>(3,708,252)</b>	<b>1,093,045</b>
<b>= As of 1 January 2012</b>				
Foreign currency translation	–	–	341,090	341,090
(Deferred) tax effects of currency translation	–	–	7,410	7,410
Other result from joint ventures	–	–	(24,774)	(24,774)
Revaluation of available-for-sale securities	–	3,290,631	–	3,290,631
Net gains/losses from hedging	–	(55,366)	–	(55,366)
(Deferred) taxes for hedging instruments and revaluation	–	(812,138)	–	(812,138)
<b>As of 31 December 2012</b>	<b>5,358,755</b>	<b>1,865,669</b>	<b>(3,384,526)</b>	<b>3,839,897</b>

The changes in the other reserves in the reporting period came to EUR 2,746,853, which together with the amount attributable to non-controlling interests of EUR 58,411 corresponds to the other income/expenses of EUR 2,805,263.

**[20] Provisions****20.1. Pensions and other long-term employee benefit plans (Note 2.18.)**

EUR	<i>Voluntary commitments for pension benefits</i>	<i>Legal obligations for severance payments</i>	<i>Legal obligations for long-term service bonuses</i>	<i>Total</i>
<b>As of 1 January 2011</b>	<b>1,995,893</b>	<b>1,273,211</b>	<b>64,451</b>	<b>3,333,555</b>
Service costs 2011	55,098	(295,007)	9,864	(230,045)
Actuarial gains 2011	(223,544)	–	–	(223,544)
Changes recognized in the personnel expenses 2011	(168,446)	(295,007)	9,864	(453,589)
Interest costs 2011	102,289	54,201	3,808	160,298
<b>As of 31 December 2011</b>	<b>1,929,736</b>	<b>1,032,405</b>	<b>78,123</b>	<b>3,040,264</b>
<b>= As of 1 January 2012</b>				
Service costs 2012	(43,684)	109,863	9,036	75,216
Use 2012	(218,698)	(147,713)	–	(366,411)
Actuarial losses 2012	497,052	–	–	497,052
Changes recognized in the personnel expenses 2012	234,671	(37,850)	9,036	205,857
Interest costs 2012	96,486	47,541	3,632	147,659
<b>As of 31 December 2012</b>	<b>2,260,893</b>	<b>1,042,096</b>	<b>90,791</b>	<b>3,393,780</b>

The amounts for the current period and the past four reporting periods are as follows:

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
• Defined benefit obligations	3,393,780	3,040,264	3,333,555	3,234,434	3,528,300
• Actuarial (gains)/losses	497,052	(223,544)	(57,045)	(54,307)	(52,580)



**20.2. Other provisions**

EUR	Current provisions	Non-current provisions	Total
<b>As of 1 January 2011</b>	<b>543,738</b>	<b>1,131,210</b>	<b>1,674,948</b>
Changes in the scope of consolidation	(7,938)	–	(7,938)
Utilized	(22,391)	–	(22,391)
Additions	824,903	–	824,903
Release	–	(154,409)	(154,409)
Exchange adjustments	(7,698)	–	(7,698)
<b>As of 31 December 2011</b>	<b>1,330,616</b>	<b>976,801</b>	<b>2,307,417</b>
<b>= As of 1 January 2012</b>			
Utilized	(50,850)	–	(50,850)
Additions	(95,889)	60,546	(35,343)
Release	–	–	–
Transfers according to Note 4.02.	(18,514)	–	(18,514)
Exchange adjustments	6,102	–	6,102
<b>As of 31 December 2012</b>	<b>1,171,465</b>	<b>1,037,347</b>	<b>2,208,812</b>

The projected cash flow from current provisions is generally for a period of up to twelve months; the non-current provisions refer solely to provisions related to joint ventures when the proportionate equity is lower than the available measurable assets. Cash flows can only arise from this in the event that guarantees related to these joint ventures are exercised.

**[21] Trade payables and other current liabilities**

EUR	2012	2011
Trade payables	4,190,291	2,602,895
<i>(thereof from the construction of the Le Palais office building Warsaw)</i>	<i>1,270,920</i>	<i>–</i>
Interest-bearing construction invoices from the completion of the andel's Łódź	8,676,736	7,591,682
Trade payables due to joint ventures	298,801	16,874
Trade payables due to related parties	4,707,840	2,567,736
Other payables	3,502,536	2,834,224
Advance payments received	3,769,159	772,094
<i>(thereof from the construction of the Le Palais office building Warsaw)</i>	<i>2,993,561</i>	<i>–</i>
	<b>25,145,363</b>	<b>16,385,504</b>
Other non-current liabilities		
Security deposits received	767,162	860,275
Leasing obligations (operating)	6,569	6,334
	<b>773,731</b>	<b>866,609</b>

Other payables contain tax liabilities of EUR 1,341,923 (2011: EUR 618,445), liabilities for social security contributions of EUR 351,758 (2011: EUR 350,909) and accruals for compensated absences of EUR 534,327 (2011: EUR 347,651).

For terms and conditions concerning transactions with related parties, please refer to Note 24.

Trade payables are non interest bearing and are normally settled within ten to sixty days. Current tax liabilities and liabilities for social security contributions are non interest bearing, except for late payment. These liabilities are generally due within thirty days. Other liabilities are non interest bearing.

Invoices from the general contractor for the construction of the andel's hotel Łódź totalling EUR 8.68 million (2011: EUR 7.59 million) are still outstanding. The payment deadline was extended to 30 June 2013; the interest rate is 11.2 per cent.

## [22] Financial liabilities

### 22.1. Convertible bonds

A PLN-denominated convertible bond was issued in the amount of PLN 66.25 million (EUR 16.8 million) in the previous reporting period. The denomination is PLN 250,000. The convertible bond has a term of three years and comes due for redemption on 6 May 2014. Coupon dates are 6 November and 6 May of each year. The interest rate is 8.5 per cent.

The holders of the bond can exchange the bond for bearer shares in the Company at a conversion price of PLN 12.79 (roughly EUR 3.25).

### 22.2. Interest-bearing loans and borrowings

	2012	2011
<b>Current</b>		
Overdrafts	19,106,605	36,824,207
Bridge loans	–	3,595,436
Project loans	51,966,230	16,771,297
Loans with breaches of loan agreements on the reporting date*)	6,339,897	6,335,897
Other loans	3,359,172	8,887,239
	<b>80,771,904</b>	<b>72,414,075</b>
<b>Non-current</b>		
Convertible bonds	15,396,168	13,774,416
Project loans	168,892,509	209,361,144
Loans from minority interests	3,613,990	2,863,363
	<b>187,902,666</b>	<b>225,998,923</b>
<b>Total financial liabilities</b>	<b>268,674,570</b>	<b>298,412,998</b>

\*) See Note 22.4.

See Note 26.2. for further information on the maturities of the individual project loans.

**22.3. Financial liabilities – overview**

Financial liabilities in a total amount of EUR 224,567,795 (2011: EUR 253,610,204) are secured by mortgages on land and buildings. The financial liabilities changed as follows:

	On 1/1/2011	Changes in scope of consolidation	New borrowings and interest capitalization	Repayment of loans	Other changes	On 31/12/2011
<b>a) Project-related loans secured by mortgages for subsidiaries (full consolidation)</b>						
for Amber Baltic Hotel	7,387,866	–	–	(641,513)	219,731	6,966,084
for andel's hotel Łódź	50,000,000	–	–	(1,100,000)	–	48,900,000
for angelo hotel Bucharest	11,000,000	–	–	–	–	11,000,000
for angelo hotel Ekaterinburg <sup>1</sup>	37,312,100	–	417,862	–	–	37,729,962
for angelo hotel Prague	11,251,598	–	–	(628,678)	–	10,622,921
for Chopin Hotel	10,694,351	–	–	(351,570)	6,585	10,349,366
for Diplomat Hotel	29,065,368	–	–	(1,308,315)	18,767	27,775,820
for Dvořák hotel <sup>2</sup>	20,955,710	–	–	(400,000)	11,042	20,566,752
for Le Palais Hotel	6,465,657	–	–	(133,760)	4,000	6,335,897
for Palace Hotel	13,524,500	–	–	(445,500)	–	13,079,000
for Savoy Hotel	5,276,245	–	–	(441,288)	–	4,834,956
for Erszebet office building	11,638,441	–	–	(512,820)	–	11,125,622
for Warsaw gas pipeline	130,095	–	–	(42,455)	(9,831)	77,809
for Louvre development property, Hungary	–	3,424,636	–	(553,462)	–	2,871,174
	<b>214,701,931</b>	<b>3,424,636</b>	<b>417,862</b>	<b>(6,559,361)</b>	<b>250,294</b>	<b>212,235,361</b>
<b>b) Holding company borrowing facilities<sup>3</sup></b>						
	<b>50,489,304</b>	<b>–</b>	<b>6,973,408</b>	<b>(13,669,043)</b>	<b>–</b>	<b>43,793,669</b>
<b>c) Other</b>						
Loans from minority interests	1,663,401	–	372,654	–	827,309	2,863,363
Loans from financial institutions	20,209,182	–	–	(3,805,462)	455,231	16,858,950
Convertible bonds	–	–	13,774,416	–	–	13,774,416
Other loans	253,137	–	8,835,125	(201,023)	–	8,887,239
	<b>22,125,720</b>	<b>–</b>	<b>22,982,194</b>	<b>(4,006,485)</b>	<b>1,282,540</b>	<b>42,383,968</b>
<b>Total financial liabilities</b>	<b>287,316,955</b>	<b>3,424,636</b>	<b>30,373,464</b>	<b>(24,234,889)</b>	<b>1,532,834</b>	<b>298,412,998</b>

<sup>1</sup> Converted into long-term financing in February 2013

<sup>2</sup> Includes a non-interest-bearing loan in the amount of EUR 1.8 million.

<sup>3</sup> Thereof primarily financed by the Raiffeisen banking group, in part with mortgage collateral

Thereof current	Non-current	On 1/1/2012	Reclassification IFRS 5	New borrowings and interest capitalization	Repayment of loans	Other changes	On 31/12/2012	Thereof current	Non-current
633,280	6,332,804	6,966,084	–	–	(641,513)	52,298	6,376,869	637,687	5,739,182
1,350,000	47,550,000	48,900,000	–	999,795	–	–	49,899,795	3,099,590	46,800,205
1,270,590	9,729,410	11,000,000	–	–	(636,230)	–	10,363,770	390,000	9,973,770
1,360,827	36,369,135	37,729,962	–	–	(553,646)	(246,701)	36,929,614	36,929,614	–
650,820	9,972,101	10,622,921	–	–	(650,725)	–	9,972,196	680,082	9,292,114
671,898	9,677,468	10,349,366	–	–	(548,876)	6,585	9,807,075	707,652	9,099,423
2,420,365	25,355,455	27,775,820	–	–	(1,454,929)	18,767	26,339,658	3,132,437	23,207,221
600,000	19,966,752	20,566,752	–	–	(1,000,341)	11,042	19,577,453	600,000	18,977,453
6,335,897	–	6,335,897	–	–	–	4,000	6,339,897	6,339,897	–
3,700,500	9,378,500	13,079,000	(13,064,000)	–	(15,000)	–	–	–	–
885,584	3,949,372	4,834,956	–	–	–	–	4,834,956	1,877,864	2,957,092
3,873,886	7,251,735	11,125,622	–	–	(156,014)	265,353	11,234,961	890,415	10,344,546
77,809	–	77,809	–	–	(82,562)	4,753	–	–	–
2,871,174	–	2,871,174	–	–	149,714	–	3,020,888	3,020,888	–
<b>26,702,629</b>	<b>185,532,732</b>	<b>212,235,361</b>	<b>(13,064,000)</b>	<b>999,795</b>	<b>(5,590,122)</b>	<b>116,097</b>	<b>194,697,132</b>	<b>58,306,126</b>	<b>136,391,006</b>
<b>36,824,207</b>	<b>6,969,462</b>	<b>43,793,669</b>	<b>–</b>	<b>5,989,845</b>	<b>(17,910,541)</b>	<b>–</b>	<b>31,872,973</b>	<b>19,106,605</b>	<b>12,766,368</b>
–	2,863,363	2,863,363	–	136,067	–	614,560	3,613,990	–	3,613,990
–	16,858,950	16,858,950	–	2,764,372	–	111,813	19,735,135	–	19,735,135
–	13,774,416	13,774,416	–	–	–	–	15,396,168	–	15,396,168
8,887,239	–	8,887,239	–	–	(5,528,067)	–	3,359,172	3,359,172	–
<b>8,887,239</b>	<b>33,496,729</b>	<b>42,383,968</b>	<b>–</b>	<b>2,900,439</b>	<b>(5,528,067)</b>	<b>726,373</b>	<b>42,104,465</b>	<b>3,359,172</b>	<b>38,745,292</b>
<b>72,414,075</b>	<b>225,998,923</b>	<b>298,412,998</b>	<b>(13,064,000)</b>	<b>9,890,079</b>	<b>(29,028,730)</b>	<b>842,470</b>	<b>268,674,570</b>	<b>80,771,903</b>	<b>187,902,666</b>

**22.4. Project loans with breaches of loan agreements on the reporting date**

Financial liabilities with breaches of the financial covenants as of the reporting date and that can therefore be terminated by the lenders are reported under current loans regardless of the agreed maturity. This classification applies regardless of the status of negotiations with the lenders with regards to the continuation or amendment of the credit agreements.

This pertains to a hotel loan in the Czech Republic which has been in formal violation of the loan agreement provisions since 2006. The interest was paid as agreed during the reporting period. The contractual repayments for 2013 total EUR 2,544,510.

**22.5. Loans with overdue payments**

On the reporting date, payments of EUR 4,268,013 were overdue on loans totalling EUR 83,643,176 and were paid at the beginning of January. These payment delays were only a few days in duration, and were rectified within the grace period. Payments in the amount of EUR 1,258,712 were open for the hotel loan in the Czech Republic with a carrying amount of EUR 6,339,897 specified in Note 22.4. The amendment of the terms of this loan is currently being negotiated.

**22.6. Interest conditions for current and non-current financial liabilities**

	2012	2011
Total financial liabilities		
• Thereof carrying fixed interest	120,724,938	120,392,892
• Thereof carrying variable interest	147,949,631	178,020,107
	<u>268,674,570</u>	<u>298,412,998</u>

Range of variable interest rates	2012	2011
• Bank overdrafts	EURIBOR (EONIA) + 1.5%–(+5.25%)	1.5%–2.25%
• Project loans (including loans where there is a breach of the loan agreement on the reporting date)	WIBOR / CHF-LIBOR / EURIBOR / SMR + 1.5%–4.5%	0.5%–2.25%
• Loans from minority interests	EURIBOR + 1.5%–2.5%	1.5%–2.5%
• Other loans	EURIBOR –	1.0%–3.5%

Please see Note 26 for information about the market values of the interest-bearing financial liabilities.

**22.7. Loans from minority interests**

Loans from minority interests are, in substance, equity instruments and are generally of a long-term nature and subordinated to project loans. These loans usually carry variable interest similar to the other interest conditions of the Group.

**[23] Other commitments, litigation and contingencies****23.1. Litigation**

There were no legal disputes as of the reporting date that have a significant effect on the assets or financial or earnings position of the Company.

**23.2. Contractual obligations**

In connection with Prozna Properties Sp.z.o.o., which was sold, Warimpex has entered into an obligation to convert the sold property into a first-class office building for a fixed price of EUR 12.5 million and to lease it back. The further sale of the property by the current owner was contractually agreed during the reporting period. According to the agreement, Warimpex has undertaken to acquire tenants for the converted office building and then to hand the building over to the new owner after a certain pre-rental rate has been reached.

**23.3. Contractual bonds and guarantees**

Contingent liabilities according to Note 23.4.	EUR 1,000,000
Relating to the sale of andel's hotel Krakow	
Guarantee according to Note 23.5.	EUR 3,000,000
Guarantee for advance payments received in connection with the Prozna project (Le Palais)	EUR 3,000,000

*In connection with joint ventures*

Obligation in connection with the Dream Castle hotel Paris	
Guarantee according to Note 23.7.	EUR 20,720,427
Obligation in connection with the Magic Circus hotel, Paris	
Guarantee according to Note 23.8.	EUR 9,444,564
Contractual liability in connection with a loan for andel's Berlin	EUR 33,725,000
Contractual liability in connection with a loan for angelo Munich	EUR 2,500,000
Contractual liability in connection with a loan for angelo Plzeň	EUR 5,712,653
Contractual liability in connection with a loan for Parkur Tower, Warsaw	EUR 4,325,000
Contractual liability in connection with a loan for Avielen, St. Petersburg	EUR 6,635,750
Business guarantee in connection with the leasing of the InterContinental hotel, Warsaw	EUR 3,100,000

**23.4. Guarantees related to andel's hotel Prague (sold in 2005)**

A GOP guarantee in the amount of EUR 5 million and secured by a pledged account was granted to the purchaser of the shares sold in 2005. This guarantee had been used in full as of 31 December 2012.

In connection with the companies Andel Investment s.r.o. and Hotel Andel Praha a.s., which were sold, grounds for the early termination of the management agreement with Vienna International AG applied in the year of sale and were covered by a payment of EUR 1 million as part of the sale.

If the new owner terminates the management agreement before 2014, an additional payment of EUR 1 million will come due.

**23.5. Guarantees in connection with andel's hotel Krakow (sold in 2009)**

The subsidiary UBX Krakau Sp.z.o.o. sold its property, the andel's hotel Krakow, to an international fund in 2009 and leased the hotel back for a period of 15 years. The annual lease fee is EUR 2 million, and is index-linked. A term deposit in the amount of EUR 1.5 million was pledged as collateral.

Also as part of the sale, Warimpex issued a guarantee to the manager of the hotel, Vienna International AG, stipulating a payment in the amount of the average management fees I and II for the past three years times two in the event that the new owner of the hotel terminates the management agreement early.

**23.6. Lease obligation of Vladinvest s.r.o.**

The wholly owned subsidiary Vladinvest s.r.o. has concluded a master lease agreement with the former subsidiary that was sold as explained in Note 23.4. for 4,356.1 square metres of commercial real estate for a net rent of EUR 0.4 million p.a. (indexed). This rent is reduced by any rental income that the sold former subsidiary will be able to generate from renting out the property.

The master lease agreement was originally concluded for a term of twelve years and ends on 30 September 2017.

**23.7. Dream Castle hotel Paris**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Realitätenentwicklung AG. Warimpex is jointly liable for the 50 per cent share in the joint venture partner.

**23.8. Magic Circus hotel, Paris**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Realitätenentwicklung AG. Warimpex is jointly liable for the 50 per cent share in the joint venture partner.

**[24] Related party disclosures**

The following enterprises/persons are related parties to the Group and have the following business relations:

**Amber Privatstiftung**

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178109a, Commercial Court Vienna), as of the reporting date holds 10.6 per cent of the shares in Warimpex Finanz- und Beteiligungs AG and 30.4 per cent of the shares in Vienna International AG. The entity is a related party due to Franz Jurkowitsch being a beneficiary.

**Bocca Privatstiftung**

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178104v, Commercial Court Vienna), as of the reporting date holds 10.6 per cent of the shares in Warimpex Finanz- und Beteiligungs AG and 30.4 per cent of the shares in Vienna International AG. The entity is a related party due to Georg Folian being a beneficiary.

**Franz Jurkowitsch**

is a director of the Company and owns 14.0 per cent of its shares as of the reporting date.

**Georg Folian**

is a director of the Company and owns 14.1 per cent of its shares as of the reporting date.

**Alexander Jurkowitsch**

is a director of the Company and owns 0.6 per cent of its shares as of the reporting date.

**Christian Fojtl** was a director of Warimpex Finanz- und Beteiligungs AG in the reporting period up to and including 31 December 2012. His appointment to the Management Board expired at the end of 31 December 2012.

Mr. Fojtl owns 0.5 per cent of Warimpex's shares as of the reporting date.

Additionally, Christian Fojtl is the economic beneficiary of Homeinvestments Sp.z.o.o., which is a joint venture partner or minority shareholder of certain Group subsidiaries/joint ventures.

**Vienna International AG**

A-1200 Vienna, Dresdnerstrasse 87, manages all hotels of the Group with the exception of the InterContinental Warsaw, Crowne Plaza St. Petersburg and the Savoy Hotel in Prague.

In addition, Amber Privatstiftung and Bocca Privatstiftung hold shares in Warimpex Finanz- und Beteiligungs AG and in Vienna International AG (see comments above).

**All subsidiaries and joint ventures**

(see Note 3.)

**24.1. Transactions with Amber Privatstiftung and Bocca Privatstiftung**

There were no transactions with Amber Privatstiftung or Bocca Privatstiftung in the reporting period.

	2012	2011
<b>24.2. Transactions with directors who hold more than 10 per cent of the Company</b>		
Balances at 1 January	(340,170)	(154,240)
Bonus entitlements	(227,616)	(194,400)
Interest on current accounts	–	–
± Payments received and made	(217,805)	8,470
Balances on 31 December	(785,590)	(340,170)

**24.3. Transactions with other directors**

Balances at 1 January	(232,113)	(103,119)
Claims in connection with the termination of the Management Board appointment	(917,415)	–
Bonus	(151,744)	(129,600)
± Payments received and made	382,832	606
Balances on 31 December	(918,440)	(232,113)

**24.4. Transactions with Vienna International AG**

Balances at 1 January	(1,995,453)	(1,271,922)
Charged management fees	(3,593,624)	(3,150,513)
± Payments received and made	2,585,268	2,426,982
Balances on 31 December	(3,003,809)	(1,995,453)

Management fees totalling EUR 2,263,377 were billed for non-fully consolidated joint ventures.

**24.5. Other disclosures**

The Supervisory Board of Warimpex Finanz- und Beteiligungs AG is composed of the following members:

Günter Korp, Chairman of the Supervisory Board

Wolfgang Mitterberger, Deputy Chairman of the Supervisory Board (until 11 June 2012)

Thomas Aistleitner, Deputy Chairman of the Supervisory Board (from 11 June 2012)

Heinrich Geyer, Second Deputy Chairman of the Supervisory Board (until 11 June 2012)

Harald Wengust, Member of the Supervisory Board

William de Gelsey, Member of the Supervisory Board

Hannes Palfinger, Member of the Supervisory Board



Fees paid to members of the Supervisory Board of Warimpex Finanz- und Beteiligungs AG amounted to EUR 110,000 (2011: EUR 95,000). The fees paid to the individual members of the Supervisory Board break down as follows:

Günter Korp	25,000
Wolfgang Mitterberger	20,000
Heinrich Geyer	20,000
Harald Wengust	15,000
William de Gelsey	15,000
Hannes Palfinger	15,000
	<u>110,000</u>

The total amount of compensation due to the directors for the reporting year amounted to EUR 1,442,984 (2011: 1,380,314). This includes bonus entitlements in the amount of EUR 379,360 (2011: EUR 324,000). See also Note 6.03. Of the expenses in the period for pensions and severance payments, EUR 115,626 (2011: minus EUR 244,578) were incurred for Management Board members.

## [25] Financial risk management objectives and policies

Aside from derivative forms of financing, the most significant financial instruments used by the Group are current account and bank loans, and cash, cash equivalents and short-term deposits. The main purpose of these financial instruments is to raise funds for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The Group also enters into derivatives transactions which are intended to reduce the Group's exposure to interest rate risk.

All significant financial transactions are subject to approval by the Management Board and, when required, also approval by the Supervisory Board.

Net result by classification categories 2012		From interest		From revaluation		Net result 2012
		At fair value	Income disposals	Impairment/write-downs		
EUR millions						
Loans and receivables (LaR)	(0.4)	–	–	–		(0.4)
Available for sale assets (AfS)	–	3.3	–	–		3.3
Financial liabilities at amortized cost (FL)	(15.9)	–	–	–		(15.9)

Net result by classification categories 2011		From interest		From revaluation		Net result 2011
		At fair value	Income disposals	Impairment/write-downs		
EUR millions						
Loans and receivables (LaR)	0.7	–	0.3	–		0.7
Available for sale assets (AfS)	–	–	–	0.3		0.3
Financial liabilities at amortized cost (FL)	(15.1)	–	–	–		(15.1)

**Financial instruments by categories and classes**

EUR millions			At	Fair value	Fair value	Recognition	
Measurement category	Carrying value	amortized	in	in	acc. to	Fair value	
according to IAS 39	31/12/2012	cost	equity	P&L	IAS 17	31/12/2012	
LaR Cash and cash equivalents	7.1	7.1	–	–	–	7.1	
LaR Trade and other receivables *)	5.3	5.3	–	–	–	5.3	
LaR Other financial assets	11.1	11.1	–	–	–	11.1	
AfS Financial instruments available for sale	7.3	–	7.3	–	–	7.3	
HfT Derivative financial instruments	–	–	–	–	–	–	
Derivative financial instruments in hedging transactions	–	–	–	–	–	–	
<b>Total financial assets</b>	<b>30.8</b>	<b>23.5</b>	<b>7.3</b>	<b>–</b>	<b>–</b>	<b>30.8</b>	
FL Trade and other receivables **)	18.6	18.6	–	–	–	18.6	
Derivative financial instruments in hedging transactions	1.3	–	(0.2)	1.5	–	1.3	
FL Interest-bearing loans and borrowings	265.1	265.1	–	–	–	265.1	
<b>Total financial liabilities</b>	<b>285.0</b>	<b>283.7</b>	<b>(0.2)</b>	<b>1.5</b>	<b>–</b>	<b>285.0</b>	

**Financial instruments by categories and classes – 2011**

EUR millions			At	Fair value	Fair value	Recognition	
Measurement category	Carrying value	amortized	in	in	acc. to	Fair value	
according to IAS 39	31/12/2011	cost	equity	P&L	IAS 17	31/12/2011	
LaR Cash and cash equivalents	7.0	7.0				7.0	
LaR Trade and other receivables *)	5.2	5.2				5.2	
LaR Other financial assets	9.5	9.5				9.5	
AfS Financial instruments available for sale	4.0		4.0			4.0	
HfT Derivative financial instruments	–		–	–		–	
Derivative financial instruments in hedging transactions	–		–			–	
<b>Total financial assets</b>	<b>25.7</b>	<b>21.7</b>	<b>4.0</b>	<b>–</b>	<b>–</b>	<b>25.7</b>	
FL Trade and other receivables **)	13.6	13.6				13.6	
Derivative financial instruments in hedging transactions	2.2		0.7	1.5		2.2	
FL Interest-bearing loans and borrowings	295.5	295.5				295.5	
<b>Total financial liabilities</b>	<b>311.4</b>	<b>309.2</b>	<b>2.2</b>	<b>–</b>	<b>–</b>	<b>311.4</b>	

\*) The trade and other receivables (see Note 17) contain non-financial assets in the amount of EUR 1.6 million (2011: EUR 0.7 million).

\*\*) The trade and other payables (see Note 21) contain non-financial liabilities in the amount of EUR 6.0 million (2011: EUR 2.1 million).

**Fair value hierarchy**

The financial assets measured at fair value ("Financial instruments available for sale" and the "Derivative financial instruments") were assigned to level 3 of the hierarchy (see Note 2.06.8.).

**25.1. Interest rate risk**

The risk of fluctuations in market interest rates to which the Group is exposed results primarily from its variable-rate long-term financial liabilities. The Group uses a combination of fixed- and floating-rate loans to manage its interest expenses. The Group's risk management policies provide for a risk-oriented relationship between fixed-rate and variable-rate financial liabilities.

With a view to meeting this objective, the Group enters into interest rate swaps in which the Group and the respective contract partner exchange the difference between amounts bearing interest at fixed rates and floating rates calculated for pre-determined intervals based on a pre-specified principal amount. These interest rate swaps serve the purpose of hedging the underlying obligation.

Taking into account existing interest rate swaps, about 44.9 per cent (2011: 40.3 per cent) of the Company's debt obligations were fixed-rate obligations on 31 December 2012.

The following table shows the sensitivity of Group profit before tax to certain changes in interest rates which, based upon reasonable judgement, may in principle occur (owing to the impact of such changes on variable-rate loans). All other variables remain constant.

	Increase/decrease in basis points	Impact on pre-tax profit
<b>2012</b>		
Euribor	+50	(798,408)
CHF-Vibor	+50	(38,178)
WIBOR	+50	(195)
Euribor	-50	798,408
CHF-Vibor	-50	38,178
WIBOR	-50	195
<b>2011</b>		
Euribor	+50	(1,325,836)
CHF-Vibor	+50	(39,189)
WIBOR	+50	(520)
Euribor	-50	1,325,836
CHF-Vibor	-50	39,189
WIBOR	-50	520

**25.2. Foreign currency risk:**

Foreign currency risk results primarily from loans and other interest-bearing liabilities denominated in foreign currencies (primarily CHF). There are no natural hedges, nor does the Group systematically use derivative financial instruments to hedge its exposure to foreign currency risk.

As a result, losses of EUR 164,111 (2011: EUR 674,962) from the effect of foreign exchange rate fluctuations on loans and other interest-bearing liabilities were incurred and recognized for the reporting period.

Debt finance denominated in PLN does not expose the Group to foreign currency risk since the relevant subsidiaries' functional currency is the same as the currency in which the respective loans are denominated.

Currency risks in connection with the PLN-denominated convertible bond are hedged by a cross-currency swap. See the additional information in Note 26.3.

The currency denominations of financial liabilities break down as follows:

	2012	2011		2012	2011
CHF	31,522,411	28,961,712	in EUR	26,112,004	23,825,034
PLN	65,304,647	64,759,723	in EUR	15,396,168	13,852,224
EUR			in EUR	227,166,398	260,735,739
				<u>268,674,570</u>	<u>298,412,998</u>

Additionally, a foreign exchange risk exists especially for those Group companies that operate hotels as regards personnel expenses and expenses for materials and services received, which have to be paid in the local currency, whereas revenues are generally based on the euro and the debt must also be serviced in euros.

Approximately 59.5 per cent (2011: 67.2 per cent) of personnel expenses, 68.8 per cent (2011: 77.0 per cent) of expenses for material and services received, and 19.2 per cent (2011: 28.3 per cent) of other expenses accrue in currencies other than the functional currency of the cost-generating operating unit while revenues are primarily generated in the functional currency of the respective operating unit. The project development costs, which pertain almost entirely to the Le Palais office building project in Warsaw, are also subject in full to PLN/EUR FX risk.

The following table shows the sensitivity of the Group's profit before tax to certain changes in exchange rates which, based upon reasonable judgement, may in principle occur. All other variables remain constant. There are no impacts on the other result.

	CHF±5%	CZK±5%	PLN±5%	RON±5%	Total
<b>Sensitivity 2012</b>					
+	(1,305,600)	(958,110)	(1,344,669)	(93,590)	(3,701,970)
-	1,305,600	938,981	1,333,040	91,762	3,669,383
<b>Sensitivity 2011</b>					
+	(1,191,252)	(1,114,669)	(1,284,511)	(85,386)	(3,675,817)
-	1,191,252	1,092,772	1,272,617	83,729	3,640,369

The following table shows the sensitivity of the Group's profit before tax from financial assets and liabilities to certain changes in exchange rates:

	CZK±5%	PLN±5%	RON±5%	HUF±5%	RUB±5%	Total
<b>Sensitivity 2012</b>						
+	(57,445)	236,127	5,229	1,675	6,246	191,832
-	57,445	(236,127)	(5,229)	(1,675)	(6,246)	(191,832)
<b>Sensitivity 2011</b>						
+	(39,846)	352,934	(35,721)	7,107	(37,903)	246,571
-	39,846	(352,934)	35,721	(7,107)	37,903	(246,571)

### 25.3. Default risk

The amounts stated as assets on the face of the consolidated balance sheet represent the maximum credit risk and default risk, since there are no general settlement agreements. The default risk associated with trade receivables can be considered moderate because receivables are immediately settled, especially in the segment Hotels & Resorts; generally, longer payment terms are only accepted with regard to receivables from travel agencies. The default risk associated with cash and short-term deposits can be considered moderate since the Group only works with financial institutions which can demonstrate sound creditworthiness.

The default risk for other receivables is also relatively low, as these are primarily short-term investments at financial institutions and receivables from credit card companies.

### 25.4. Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans for project financing.

The Group's Hotels & Resorts segment depends largely on occupancy rates and achievable prices. Liquidity planning is based on hotel budgets and financial forecasts which are prepared in cooperation with the hotel management.

As a rule, long-term lease contracts exist for office buildings and commercial buildings. Liquidity planning is based on budgeted rental income. For the Group's Development & Asset Management segment, expected pre-development costs are budgeted from the Group's own funds, whereas assets under construction are usually financed by project-specific financing. Free liquidity resulting from the sale of real estate is primarily used to finance the acquisition of, and the equity contribution to, new project developments and to repay existing operating credit lines.

On the reporting date, the consolidated financial statements showed short-term financial liabilities in the amount of EUR 80.8 million and other short-term debt in the amount of EUR 41.4 million.

Uniform Group accounting guidelines require that the share of debt capital falling due within twelve months should not exceed 35 per cent of total interest-bearing loans and borrowings. On 31 December 2012, the share falling due within one year amounted to 37.7 per cent (2011: 29.8 per cent).

Loans in the amount of EUR 36.9 million were refinanced under a long-term agreement and debts in the amount of EUR 3.3 million were repaid at the beginning 2013. Taking these repayments after the reporting date into account, 26.3 per cent of the financial liabilities were due within one year.

Many experts believe that the real estate transaction market now has the worst behind it, which means that the stagnation that dominated the markets especially at the end of 2008 and during the first half of 2009 has passed. It has again become possible and probable that assets can be sold at acceptable prices. The largest transaction in the history of the Polish hotel market, the sale of the InterContinental hotel in Warsaw, took place during the reporting period.

To secure the liquidity needed to ensure the continued operation of the Company, it will be necessary to extend or repay operating credit lines or to convert them into long-term financing and to generate additional liquidity inflows in the next twelve months. Steps to this end have already been initiated in the first quarter of 2013 through the issue of bonds. A further bond and/or convertible bond may also be issued to raise financing. It is also planned to sell projects to generate additional liquidity. Please also see Note 27.

On 31 December 2012, the maturity structure of the Group's debt obligations was as shown below. The figures are stated on the basis of contractual, non-discounted payment obligations.

#### Financial year ended 31 December 2012

in EUR '000	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total
Interest-bearing loans and borrowings	101,160	72,343	56,623	36,175	36,289	302,589
Convertible bonds	1,309	16,051	–	–	–	17,359
Other loans (current)	3,359	–	–	–	–	3,359
Other liabilities (non-current)	–	–	774	–	–	774
Trade and other payables	26,117	–	–	–	–	26,117
Derivative financial instruments	–	–	–	–	–	–
Income tax payable	143	–	–	–	–	143
	132,088	88,393	57,397	36,175	36,289	350,342

#### Financial year ended 31 December 2011

in EUR '000	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	Total
Interest-bearing loans and borrowings	85,031	95,288	63,368	59,919	29,438	333,043
Convertible bonds	1,171	15,531	–	–	–	16,701
Other loans (current)	9,376	–	–	–	–	9,376
Other liabilities (non-current)	–	–	867	–	–	867
Trade and other payables	16,811	–	–	–	–	16,811
Derivative financial instruments	–	–	–	–	–	–
Income tax payable	105	–	–	–	–	105
	112,493	110,818	64,234	59,919	29,438	376,902

## 25.5. Capital management

The primary objective of the Group's capital management policy is to ensure that the Group preserves the high credit rating and favourable equity ratio required to support its business activities and in order to maximize shareholder value.

The Group is not subject to capital requirements, either under its articles of association or under external regulations.

The Group philosophy is geared towards consistently enhancing the intrinsic value of the Company and generating distributable profits.

The Group monitors its capital on the basis of its equity ratio, which should be between 20 per cent and 40 per cent.

In 2012, the equity ratio increased from 18.6 per cent as reported for 2011 to 21.4 per cent. This brought the metric back into the target range. The credit rating should be at least investment grade to allow capital to be procured through bonds and convertible bonds and to obtain financing from banks at good terms.

## [26] Financial instruments

Primary financial instruments of the Group comprise "Trade receivables" and "Cash and short-term deposits" on the asset side. As regards liabilities "Convertible bonds", "Interest-bearing loans and borrowings" and "Trade and other payables" are classified as primary financial instruments.

### 26.1. Fair value

The table below shows the carrying values and fair values of all financial instruments contained in the consolidated financial statements, including the financial instruments of disposal groups classified as held for sale.

	Carrying value		Fair value	
	2012	2011	2012	2011
<b>Financial assets</b>				
Cash and short-term deposits	7,144,968	7,015,958	7,144,968	7,015,958
Financial instruments available for sale	7,279,433	3,988,802	7,279,433	3,988,802
Other financial assets	11,077,694	9,493,936	11,077,694	9,493,936
Derivative financial instruments	2	6,795	2	6,795
IFRS 5 financial assets	710,481	–	710,481	–
	<u>26,212,578</u>	<u>20,505,491</u>	<u>26,212,578</u>	<u>20,505,491</u>
<b>Financial liabilities</b>				
Current loans	(3,359,172)	(8,887,239)	(3,359,172)	(8,887,239)
Derivative financial instruments	(1,280,393)	(2,199,317)	(1,280,393)	(2,199,317)
Variable-rate loans	(144,335,642)	(175,156,744)	(140,160,462)	(173,296,667)
Fixed-rate loans	(101,969,598)	(97,731,237)	(102,697,675)	(102,992,614)
Convertible bonds	(15,396,168)	(13,774,416)	(15,396,168)	(13,774,416)
IFRS 5 liabilities	(13,648,761)	–	(13,648,761)	–
	<u>(279,989,734)</u>	<u>(297,748,952)</u>	<u>(276,542,630)</u>	<u>(301,150,253)</u>

The fair value of loans was determined by comparing the future cash flows on the basis of the existing terms on 31 December 2012 with the standard market terms for new finance agreements.

The fair value of available-for-sale investments was assessed on the basis of the respective market rates. The fair value of derivative financial instruments and loans was calculated by discounting the expected future cash flows at market rates. The fair value of other financial assets was assessed on the basis of the respective market rates.

## 26.2. Interest rate risk of primary financial instruments

The following table presents the carrying amounts and fair values of variable-rate financial instruments of the Group which are subject to interest rate risk. The table shows these amounts according to their contractual maturities.

Bank loans where there is a breach of the loan agreement as of the balance sheet date are presented as being due within one year in accordance with the accounting treatment in the consolidated balance sheet, even though management believes that the project loans will be repaid over their agreed contractual maturities.

Loans from minority shareholders are not included in the primary financial instruments.

Amounts in EUR '000 for the financial year at 31 December 2012	Within one year	2014	2015	2016	2017	Over five years	Total
Cash and short-term deposits	7,145	–	–	–	–	–	7,145
Loans where there is a breach of the loan agreement as of the balance sheet date	(6,340)	–	–	–	–	–	(6,340)
Overdrafts	(19,107)	(12,766)	–	–	–	–	(31,873)
Other loans	(3,359)	(19,735)	–	–	–	–	(23,094)
Convertible bond	–	(15,396)	–	–	–	–	(15,396)
<b>Total current</b>	<b>(21,661)</b>	<b>(47,898)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(69,558)</b>
Amber Baltic (until 2016)	(638)	(638)	(638)	(638)	(638)	(3,188)	(6,377)
andel's Łódź (2023)	(2,100)	(1,000)	(1,250)	(1,500)	(1,800)	(42,250)	(49,900)
angelo Airporthotel Bucharest (until 2027)	(390)	(500)	(550)	(660)	(660)	(7,604)	(10,364)
angelo Ekaterinburg (until 2013) <sup>1)</sup>	(36,930)	–	–	–	–	–	(36,930)
angelo Prague (until 2016)	(680)	(708)	(737)	(767)	(7,080)	–	(9,972)
Chopin (until 2014)	(708)	(9,099)	–	–	–	–	(9,807)
Diplomat (until 2017)	(3,132)	(3,204)	(3,276)	(3,351)	(13,377)	–	(26,340)
Dvořák (until 2016)	(600)	(800)	(900)	(1,000)	(14,477)	(1,800)	(19,577)
Elsbet (until 2014)	(500)	(10,735)	–	–	–	–	(11,235)
Development property, Hungary Palace (until 2017) = IFRS 5	(3,021)	–	–	–	–	–	(3,021)
Savoy (until 2016)	(1,878)	(974)	(996)	(988)	–	–	(4,835)
<b>Total non-current</b>	<b>(50,393)</b>	<b>(27,774)</b>	<b>(8,363)</b>	<b>(8,820)</b>	<b>(24,421)</b>	<b>(68,586)</b>	<b>(188,357)</b>
<b>Total</b>	<b>(72,053)</b>	<b>(75,671)</b>	<b>(8,363)</b>	<b>(8,820)</b>	<b>(24,421)</b>	<b>(68,586)</b>	<b>(257,916)</b>

<sup>1)</sup> Converted into long-term financing in February 2013



Amounts in EUR '000 for the financial year at 31 December 2011	Within one year	2013	2014	2015	2016	Over five years	Total
Cash and short-term deposits	7,016	–	–	–	–	–	7,016
Loans where there is a breach of the loan agreement as of the balance sheet date	(6,336)	–	–	–	–	–	(6,336)
Overdrafts	(36,824)	(6,969)	–	–	–	–	(43,794)
Other loans	(8,887)	–	(16,859)	–	–	–	(25,746)
Convertible bond	–	–	(13,774)	–	–	–	(13,774)
<b>Total current</b>	<b>(45,031)</b>	<b>(6,969)</b>	<b>(30,633)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(82,634)</b>
Amber Baltic (until 2016)	(633)	(633)	(633)	(633)	(633)	(3,800)	(6,966)
andel's Łódź (2023)	(1,350)	(1,500)	(1,600)	(1,800)	(2,000)	(40,650)	(48,900)
angelo Airport Bucharest (until 2013)	(1,271)	(635)	(635)	(635)	(635)	(7,188)	(11,000)
angelo Ekaterinburg (until 2013)	(1,000)	(2,250)	(34,480)	–	–	–	(37,730)
angelo Prague (until 2016)	(651)	(680)	(708)	(737)	(767)	(7,080)	(10,623)
Chopin (until 2016)	(672)	(947)	(1,007)	(1,070)	(6,654)	–	(10,349)
Diplomat (until 2017)	(2,420)	(2,908)	(3,004)	(3,103)	(3,205)	(13,135)	(27,776)
Dvořák (until 2016)	(1,167)	(1,167)	(1,167)	(1,167)	(1,167)	(14,733)	(20,567)
Elsbet (until 2016)	(4,143)	(266)	(283)	(300)	(6,133)	–	(11,126)
Development property, Hungary	(2,871)	–	–	–	–	–	(2,871)
Gas pipeline (2012)	(78)	–	–	–	–	–	(78)
Palace (until 2017)	(3,701)	(1,402)	(1,442)	(1,522)	(1,572)	(3,441)	(13,079)
Savoy (until 2016)	(886)	(915)	(945)	(976)	(1,114)	–	(4,835)
<b>Total non-current</b>	<b>(20,842)</b>	<b>(13,304)</b>	<b>(45,903)</b>	<b>(11,943)</b>	<b>(23,880)</b>	<b>(90,027)</b>	<b>(205,899)</b>
<b>Total</b>	<b>(65,873)</b>	<b>(20,273)</b>	<b>(76,537)</b>	<b>(11,943)</b>	<b>(23,880)</b>	<b>(90,027)</b>	<b>(288,534)</b>

### 26.3. Interest rate collars in connection with finance loans

As of 31 December 2012, there are derivative financial instruments (interest rate collars) relating to the Group's financial liabilities. The main terms and parameters of these collars are as follows:

	2012	2011
<i>Project loan Chopin Hotel, Krakow (until 30/09/2016)</i>		
Underlying: 3-month EURIBOR at 3.91 %		
Notional amount on 31 December	9,807,075	10,349,366
Fair value on 31 December	(741,906)	(686,541)
The change in the fair value is reported under other income/expenses because the instrument is a cash flow hedge.		
<i>Project loan angelo hotel, Prague (until 31/12/2014)</i>		
Underlying: 3-month EURIBOR at 4 %		
Notional amount on 31 December	9,972,196	10,622,921
Fair value on 31 December	2	6,795
<i>Cross currency swap – PLN convertible bond (until 7 May 2014)</i>		
On 6 November and 6 May (starting on 6 November 2011 and ending on 6 May 2014), the Company receives 8.5 per cent interest for the nominal amount of PLN 38.2 million and pays 6.7 per cent interest for the nominal amount of EUR 9,714,514.21.		
Fair value on 31 December	(538,486)	(1,511,337)

These derivative financial instruments are designated exclusively for hedging the interest rate risk resulting from financial liabilities. Notional amounts presented relate to the volume of the underlying of the derivative financial instruments as of the reporting date. Actual cash flows from the derivative financial instruments are only a small fraction of the notional value. The indicated fair values were obtained from the financing banks. The valuation of derivative financial instruments requires a certain degree of subjective judgement; as a result the figures presented in this report may deviate from the values subsequently realized in the market. The negative fair values of these instruments are presented within current liabilities under the heading "Derivative financial instruments", positive fair values are presented within current assets under the heading "Other financial assets".

### 26.4. Other derivative financial instruments

On 31 December 2011, Warimpex granted Wiener Städtische Versicherung AG the right to purchase 1,440,000 shares at a price of EUR 2.00 per share or to receive a cash settlement in the amount of the difference between the closing price of the Warimpex share on the day before the exercise date and the price of EUR 2.00 per share. This option expired in May 2012, and no longer existed on the reporting date.

## [27] Events after the balance sheet date

The closing of the sale of the shares in the Leuchtenberggring companies in Munich to the joint venture partner took place on 2 January 2013. This pertains to the angelo hotel in Munich and further properties in Munich. The associated joint venture shares were recognized according to IFRS 5 on the reporting date. The financial effect (cash flow contribution) from this transaction was roughly EUR 5.78 million.

In February 2013, a long-term refinancing agreement in the amount of roughly EUR 37 million was signed for the project loan for the two hotels in Ekaterinburg. The term of this loan, which was classified as short term on 31 December 2012, is now ten years.

At the end of February 2013, the maturity of a short-term borrowing facility in the amount of roughly EUR 6 million was extended to 2014.

At the beginning of March 2013, a bond was successfully placed in Poland. The nominal value of this issue is PLN 63.1 million (roughly EUR 15.3 million); the coupon is 7 per cent + 6M WIBOR, with semi-annual payment. The term is three years. A share of PLN 26.75 million (roughly EUR 6.5 million) was swapped out of the existing convertible bonds from 2011 that run until 2014.

At the end of March 2013, convertible bonds with a total nominal value of PLN 26.5 million (roughly EUR 6.4 million) and a denomination of PLN 250,000 were successfully placed in Poland with a term of three years and a coupon of 4.875 per cent p.a., payable semi-annually. The conversion price was set at PLN 7.06. A share of PLN 6.5 million (roughly EUR 1.6 million) was swapped out of the existing convertible bonds from 2011. Of the issue proceeds, PLN 6.5 million (roughly EUR 1.6 million) were used for the early redemption of the convertible bonds from 2011.

Vienna, 24 April 2013



**Franz Jurkowitsch**

Chairman of the Management Board



**Georg Folian**

Deputy Chairman of the Management Board



**Alexander Jurkowitsch**

Member of the Management Board

## AUDITOR'S REPORT\*

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of **Warimpex Finanz- und Beteiligungs Aktiengesellschaft**, Vienna, for the fiscal year from January 1, 2012 to December 31, 2012. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2012, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year ended December 31, 2012, and the notes.

### Management's Responsibility for the Consolidated Financial Statements and for the Accounting System

The Company's management is responsible for the group accounting system and for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility and Description of Type and Scope of the Statutory Audit

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with laws and regulations applicable in Austria and Austrian Accounting Standards on Auditing, as well as in accordance with International Standards on Auditing (ISAs), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Those standards require that we comply with professional guidelines and that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

\*) This report is a translation of the original report in German, which is solely valid. Publication of the consolidated financial statements together with our auditor's opinion may only be made if the consolidated financial statements and the consolidated management report are identical with the audited version attached to this report. Section 281 paragraph 2 UGB (Austrian Commercial Code) applies.

### Opinion

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements comply with legal requirements and give a true and fair view of the financial position of the Group as of December 31, 2012 and of its financial performance and its cash flows for the fiscal year from January 1, 2012 to December 31, 2012 in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

### Comments on the Consolidated Management Report

Pursuant to statutory provisions, the consolidated management report is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the other disclosures are not misleading with respect to the Company's position. The auditor's report also has to contain a statement as to whether the consolidated management report is consistent with the consolidated financial statements and whether the disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

In our opinion, the consolidated management report is consistent with the consolidated financial statements. The disclosures pursuant to Section 243a UGB (Austrian Commercial Code) are appropriate.

Vienna, April 24, 2013



WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH

HELMUT MAUKNER MP  
Certified Auditor

PPA HANS-ERICH SORLI MP  
Certified Auditor

## REPORT BY THE SUPERVISORY BOARD

### Fundamental aspects

The Management Board informed the Supervisory Board of Warimpex Finanz- und Beteiligungs Aktiengesellschaft of all significant business activities, the development of business and the Company's situation at regular meetings during the 2012 financial year and fulfilled all of the duties required of it by law, the articles of association of the Company and the terms of reference of the Supervisory Board. We regularly advised the Management Board on the direction of the Company's operations and monitored its activities. The chairman of the Supervisory Board also maintained regular contact with the chairman of the Management Board, in particular to discuss strategy, the development of business and risk management. One of the key topics at the Supervisory Board meetings was comprehensive, timely reports on the economic and structural changes in Central and Eastern Europe and the associated opportunities and risks. The development of sales and earnings, liquidity forecasts and the Company's financial position were also regularly discussed at these meetings.

The Company is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish best practices for listed companies. The Supervisory Board faithfully fulfilled the duties and responsibilities laid down in these codes and also monitored the Company's compliance with these rules. The articles of association and the terms of reference of the Management Board and Supervisory Board are regularly amended to account for changes. Deviations from individual corporate governance rules relate to the Company's structure and/or to Polish rules that are not complied with due to the Company's primary orientation towards the relevant Austrian regulations. In line with the provisions of the 2007 Issuer Compliance Ordinance as amended, the Compliance Officer's annual report was submitted to the Supervisory Board and discussed.

Six Supervisory Board meetings were held in financial year 2012. All members of the Supervisory Board fulfilled the legally required minimum attendance requirements. In addition, two decisions were made by way of circular resolution, namely one circular resolution of the Supervisory Board in April 2012 on the acceptance of the annual financial statements and one circular resolution of the Personnel Committee in December 2012 acknowledging the resignation of Mr. Fojtl from the Management Board.

### Committees

For the purposes of preparing its negotiations and decisions, monitoring the execution of its decisions and to meet pertinent legal requirements, the Supervisory Board has set up three permanent committees: the Audit Committee, the Project Committee and the Personnel Committee. A separate strategy committee has not been formed because all such issues are handled by the Supervisory Board as a whole. The committees are appointed for the duration of the tenure of their members. Each committee elects a chairman and a deputy chairman from among its members.

### Audit Committee

In accordance with the law and the rules of procedure of the Supervisory Board, the Supervisory Board has set up a permanent committee for reviewing and accepting the annual financial statements, the proposal for the appropriation of profits and the management report for the Company and the Group (Audit Committee). The Audit Committee reviewed the consolidated annual financial statements and issued a proposal on the selection of the financial auditor, and reported to the Supervisory Board on this. The chairman of the Supervisory Board, Günter Korp, is a member of the Audit Committee and applies his special knowledge and practical experience in finance and accounting and in financial reporting (financial expert). Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Audit Committee.

### **Project Committee**

The Supervisory Board has set up a permanent committee to monitor and approve transactions that are subject to approval according to law and the rules of procedure of the Management Board, provided that the total transaction costs do not exceed EUR 50,000,000 (Project Committee). When the total costs of the intended transaction exceed this limit, the transaction must be reviewed and approved by the Supervisory Board as a whole. The Project Committee is chaired by Supervisory Board member Harald Wengust. Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Project Committee.

### **Personnel Committee**

The Supervisory Board has formed a permanent committee that is responsible for personnel matters between the Company and the Management Board (remuneration, issue of proposals for the filling of vacant posts on the Management Board and succession planning) (Personnel Committee). The Personnel Committee is authorized to conclude service agreements with the members of the Management Board. The Personnel Committee is chaired by Supervisory Board chairman Günter Korp. Two other members of the Supervisory Board who are independent according to the rules of procedure of the Supervisory Board also sit on the Personnel Committee.

### **Changes in the Supervisory Board**

All resolutions were passed at the 26th Annual General Meeting of the Company held on 11 June 2012. Thomas Aistleitner was appointed as a new member of the Supervisory Board. Günter Korp, Harald Wengust and William Henry Marie de Gelsey were reappointed to the Supervisory Board. Günter Korp was reappointed as chairman of the Supervisory Board at the Board meeting following the 26th ordinary Annual General Meeting, and Thomas Aistleitner was appointed as the new deputy chairman of the Supervisory Board. The term of Wolfgang Mitterberger expired; Heinrich Geyer stepped down from the Supervisory Board on 12 June 2012. The Supervisory Board now only consists of five members.

### **Sale of the InterContinental hotel in Warsaw**

In October 2012, the Company and UBM Realitätenentwicklung AG sold the InterContinental hotel in Warsaw, Poland, to WestInvest InterSelect, a retail real estate fund of Germany's DekaBank group. The head of terms agreement for the sale was signed on 24 April 2012. The sales contract was concluded subject to the fulfilment of the standard closing prerequisites for such real estate transactions in Poland.

The closing took place in Warsaw, Poland, in December 2012. At a price of over EUR 100 million, the sale is the largest hotel deal ever in Poland. A purchase price increase was agreed in the event that the hotel performs well, which means that the purchase price may turn out to be even higher. The Company and UBM Realitätenentwicklung Warimpex developed the core property together, and each most recently held 50 per cent of the five-star hotel with its 414 rooms, suites and apartments. In order to profit from the development of the hotel in the coming years, the hotel will be leased back under a fixed agreement and will be run under the brand InterContinental until 2027.

### **Resignation of Christian Fojtl from the Management Board**

Management Board member Christian Fojtl stepped down from the Company's Management Board on 31 December 2012. Christian Fojtl is remaining with the Company as a manager in Poland. The Personnel Committee of the Supervisory Board acknowledged the resignation of Christian Fojtl as of the end of 31 December 2012 by way of circular resolution and informed the Supervisory Board as a whole of the fact. The Personnel Committee also decided that it would not submit a proposal to the Supervisory Board as a whole for the filling of the vacant position. Due to this, the Management Board has decreased in size from four to three members.

The Management Board now consists of Franz Jurkowitsch (chairman), Georg Folian (deputy chairman) and Alexander Jurkowitsch. Christian Fojtl's responsibilities in organization and legal issues are now being handled by Management Board chairman Franz Jurkowitsch. Information management is now being handled by Management Board member Alexander Jurkowitsch.

### **Approval of the annual financial statements for 2012**

The annual financial statements, the management report, the consolidated financial statements and the group management report for the year ended 31 December 2012 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that unqualified auditor's reports were issued.

The annual financial statements, the management report and the corporate governance report were reviewed by the Audit Committee at its meeting on 24 April 2013, and their acceptance was proposed to the Supervisory Board. The Supervisory Board reviewed and approved them, the consolidated annual financial statements and the group management report. The Supervisory Board also reviewed and approved the Management Board's proposal to not pay out a dividend for financial year 2012. The annual financial statements were officially approved. The Audit Committee also proposed to the Supervisory Board that Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. be appointed as the financial auditor for the Company and the Group for the financial year ending on 31 December 2013.

The Supervisory Board acknowledged and approved the consolidated financial statements, including the group management report.

The Supervisory Board thanks the Management Board, the Company's managers and all employees of the Warimpex Group for their hard work during the financial year despite the difficult conditions and wishes the Company continued success in the future.

Vienna, April 2013

**Günter Korp**

Chairman of the Supervisory Board



## DECLARATION BY THE MANAGEMENT BOARD

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Group as required by the applicable accounting standards and that the group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.



**Franz Jurkowitsch**

Chairman of the  
Management Board

Responsibilities:  
strategy, investor relations,  
corporate communications,  
organization and legal issues



**Georg Folian**

Deputy Chairman of the  
Management Board

Responsibilities:  
finance and accounting,  
financial management and personnel



**Alexander Jurkowitsch**

Member of the  
Management Board

Responsibilities:  
planning, construction,  
information management and IT

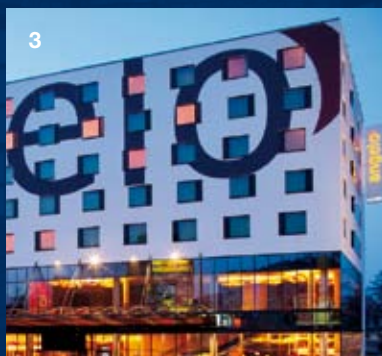
## SELECTED WARIMPEX GROUP PROPERTIES



1



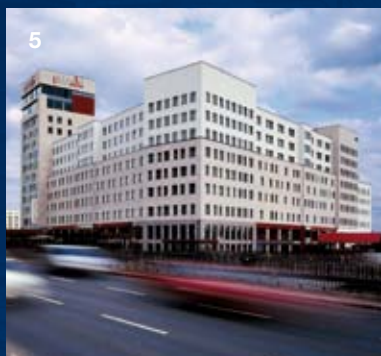
2



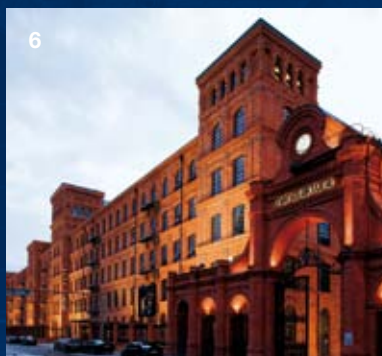
3



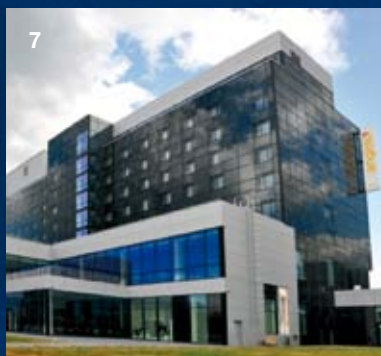
4



5



6



7

**1) Le Palais Hotel\*\*\*\*\*, Prague**

CZ-120 00 Prague 2, U Zvonářky 1  
72 rooms (opened in 2002)

**2) InterContinental\*\*\*\*\*, Warsaw**

PL-00 125 Warsaw, ul. Emilii Plater 49  
404 rooms (opened in 2003)

**3) angelo hotel\*\*\*\*, Katowice**

PL-40-086 Katowice, ul. Sokolska 24  
203 rooms (opened in March 2010)

**4) angelo Designhotel, Munich**

D-81677 Munich, Leuchtenbergring 20  
146 rooms (opened in May 2008)

**5) andel's hotel\*\*\*\*\*, Berlin**

D-10407 Berlin,  
Landsberger Allee 106  
557 rooms (opened in March 2009)

**6) andel's hotel\*\*\*\*, Łódź**

PL-91 065 Łódź, ul. Ogrodowa 17  
278 rooms (opened in June 2009)

**7) angelo Airporthotel\*\*\*\*, Ekaterinburg-Koltsovo**

RU-Airport Ekaterinburg-Koltsovo  
203 rooms (opened in September 2009)

**Financial calendar**

25 April 2013	Publication of the Annual Report for 2012
28 May 2013	Publication of the results for the first quarter of 2013
19 June 2013	Annual General Meeting
30 August 2013	Publication of results for the first half of 2013
28 November 2013	Publication of the results for the third quarter of 2013

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