ANNUAL REPORT **2010**

warimpex

KEY FIGURES OF THE WARIMPEX GROUP

EUR '000		2010	Change	2009
Revenues from the Hotels & Resorts segment		96,364	21%	79,608
Revenues from the Development & Asset Management segment		6,799	20%	5,650
Total revenues		*103,164*	*21%*	*85,258*
Gains from the sale of real estate		8,756	124%	3,910
EBITDA		22,743	182%	8,053
EBIT		24,384	–	-71,772
Profit for the year		3,747	–	-92,667
Net cash flow from operating activities		16,987	52%	11,151
Equity and liabilities		606,991	-1%	610,873
Equity		88,350	47%	60,153
Issued capital		54,000	36%	39,600
Equity ratio		15%	5 pp	10%
Adjusted equity ratio[1]		25%	6 pp	19%
Average number of shares in the financial year	units	48,765,280	33%	36,604,185
Earnings/loss per share	in EUR	0.11	–	-2.36
Proposed dividend per share	in EUR	0.00	–	0.00
Payout ratio		–	–	–
Number of shares at 31 December	units	54,000,000	–	39,599,999
Number of hotels		21	1	20
Number of rooms (adjusted for proportionate share of ownership)		3,432	99	3,322
Number of office and commercial properties		5	–	5
Average number of employees in the Group		1,605	9%	1,466

		31/12/2010	Change	31/12/2009
Gross asset value (GAV)	in EUR m	589.7	3%	571.9
Triple net asset value (NNNAV)	in EUR m	187.4	26%	148.9
NNNAV per share	in EUR	3.5	-8%	3.8
End-of-year share price	in EUR	2.68	23%	2.18

[1] Assuming that the real estate assets are recognized at their fair values

CONTENTS

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.

This enables the Warimpex Group to generate stable cash flows from the operation and rental of properties and to continuously increase the value of its portfolio, while also realizing proceeds from the sale of properties. Warimpex believes in quality and sustainability as the basis for strong future growth.

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 2010, Warimpex was the owner, co-owner or leaseholder of twenty-one business and luxury hotels with a total of more than 5,000 rooms (3,400 rooms when adjusted for the proportionate share of ownership), plus five commercial and office buildings with a total floor area of some 32,000 square metres in Poland, the Czech Republic, Hungary, Romania and France. A number of further hotel projects are currently under development.

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

In the one-star and two-star segment Warimpex' portfolio will be complemented in future by budget hotels developed under a joint venture with Louvre Hotels.

HIGHLIGHTS IN 2010

Operational highlights

- 02/2010 Sale of a 16.69 per cent share in the Palais Hansen development project, Vienna
- 03/2010 Opening of the angelo in Katowice (203 rooms)
- 05/2010 Successful capital increase by 14,400,001 shares
- 06/2010 Lease agreement for Palais Hansen, Vienna, signed with Kempinski
- 06/2010 Building permit issued for Le Palais office building, Warsaw
- 09/2010 Construction started at Palais Hansen, Vienna
- 10/2010 Financing secured for Airport City in St. Petersburg
- 11/2010 Groundbreaking for the Campanile and Première Classe budget hotels, Wrocław
- 12/2010 Le Palais office building development project sold

Financial highlights

- Revenues increased by 21 per cent
- EBITDA of EUR 22.7 million
- A part of the impairment losses recognized in the previous financial years was reversed in the reporting period, resulting in EUR 23.5 million in write-ups
- EBIT of EUR 24.4 million
- Positive profit for the year in the amount of EUR 3.7 million
- Earnings per share of EUR 0.11
- Valuation by CBRE puts real estate assets at EUR 589.7 million
- Triple net asset value (NNNAV) per share down by 8 per cent to EUR 3.50 due to the increased number of shares, but NNNAV/share up by 6 per cent since 30 June 2010

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**.

Austrian Code of Corporate Governance, as amended in January 2010

The Austrian Code of Corporate Governance (as amended in January 2010 and which was applied for financial year 2010, 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.
- The principles governing the remuneration paid to the members of the Managing Board and Supervisory Board are published, as is the total remuneration paid to all members of the Managing Board and Supervisory Board. The Company has opted not to disclose the individual amounts paid to each Managing Board and Supervisory Board member pursuant to Rule 31 and Rule 35 in order to respect the privacy of the members of these Boards, and because this information is of relatively little value to investors. For information relating to Rule 30, please consult Note 7.03 in the notes to the consolidated financial statements.
- 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 the Project Committee) and their responsibilities and powers. The Supervisory Board held five 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”.

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. There are no concrete measures at this time to promote women in managerial positions.

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 for the indicated reasons:

- Rule I.1: 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). 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 shareholders strive 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. There are no concrete measures at this time to promote women in managerial positions or on the Supervisory Board.
- Rule II.1 1): The statues of the Company can be viewed on its web site. Internal documents such as terms of reference for its governing bodies are not published.
- Rule II.1 2): Curricula vitae are only published on the web site for candidates for the Supervisory Board.
- Rule II.1 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 II.5: The Company does not publish any grounds for agenda items and draft resolutions of the annual general meeting because this is not required by Austrian law. Shareholders can pose questions to the Company at the annual general meeting as permitted by law.
- 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 have been included in the annual report and on the Company’s web site since financial year 2008. Shareholders can pose questions in this connection at the annual general meeting as permitted by law.

BODIES OF THE COMPANY

Management Board

Franz Jurkowitsch (2nd from right)
Chairman of the Management Board
Year of birth: 1948
First appointed: 2 September 1986
Appointed until 2 September 2011
Responsibilities:
Strategy, investor relations,
corporate communications
Member of the Supervisory Board of S&T System Integration & Technology Distribution AG, Vienna
Chairman of the Supervisory Board of Vienna International Hotelmanagement AG, Vienna

Georg Folian (2nd from left)
Deputy Chairman
Year of birth: 1948
First appointed: 2 September 1986
Appointed until 2 September 2011
Responsibilities:
Finances and accounting, financial management, human resources
Chairman of the Supervisory Board of Vienna International Hotelmanagement AG, Vienna

Christian Fojtl (1st from right)
Member of the Management Board
Year of birth: 1964
First appointed: 31 July 2006
Appointed until 31 July 2011
Responsibilities:
Information management,
organisation and legal compliance

Alexander Jurkowitsch (1st from left)
Member of the Management Board
Year of birth: 1973
First appointed: 31 July 2006
Appointed until 31 July 2011
Responsibilities:
Planning, construction and IT

Supervisory Board

Günter Korp
Chairman of the Supervisory Board
Chairman of the Audit Committee/finance expert
Chairman of the Personnel Committee
Year of birth: 1945
First appointed: 16 October 2009
Current period of office ends in 2011

Wolfgang Mitterberger
First Deputy Chairman of the Supervisory Board
Member of the Audit Committee
Member of the Project Committee
Member of the Personnel Committee (since 10 February 2011)
Year of birth: 1966
First appointed: 31 May 2007
Current period of office ends in 2011

Heinrich Geyer
Second Deputy Chairman of the Supervisory Board
Member of the Audit Committee
Member of the Project Committee
Member of the Personnel Committee
Year of birth: 1939
First appointed: 13 September 1993
Current period of office ends in 2012

Victor Igalffy-Igally (until 25 December 2010)
Member of the Supervisory Board
Member of the Personnel Committee
Year of birth: 1925
First appointed: 9 February 1994
Current period of office ends in 2012

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 2011
Member of the Board of Directors of Gedeon Richter Ltd, Budapest

Harald Wengust
Member of the Supervisory Board
Chairman of the Project Committee
Year of birth: 1969
First appointed: 16 October 2009
Current period of office ends in 2011
Member of the Board of Speymill Macau Property Co PLC

Auditors

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

MILESTONES 2010

January | February | March | April | May | June

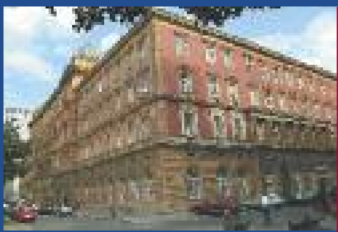
02/2010
Sale of a 16.69 per cent share in the Palais Hansen development project, Vienna

03/2010
Opening of the angelo in Katowice (203 rooms)

05/2010
Successful capital increase by 14,400,001 shares

06/2010
Lease agreement for Palais Hansen, Vienna, signed with Kempinski

06/2010
Building permit issued for Le Palais office building, Warsaw



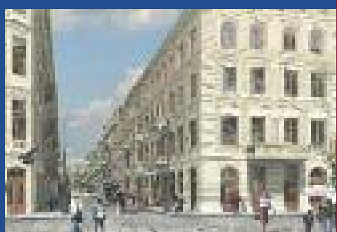
09/2010
Construction started
at Palais Hansen, Vienna

11/2010
Groundbreaking for the
Campanile and Première
Classe budget hotels,
Wrocław

July | August | September | October | November | December

10/2010
Financing secured
for Airport City in
St. Petersburg

12/2010
Le Palais office building
development project sold



warimpex

FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

Dear Shareholders,

For us and the entire industry, 2010 was a year of transition from a state of crisis to normality. After very difficult conditions dominated the year 2009, confidence in a global economic recovery grew steadily. Among other things, this brought a marked increase in business travel and tourism, a gradual easing of the restrictive conditions on the financial markets and steady rises in the prices of real estate stocks.

Business with the operation of hotels was considerably better in 2010 than in 2009. Conditions on Warimpex' core hotel markets were varied, however. While revenues in Munich, Berlin and Paris grew substantially, turnover in the Czech Republic only remained stable. Revenue growth in Poland was also inconsistent from region to region. While sales increased substantially at the hotels in Warsaw, growth rates in the major cities aside from the capital were not nearly as robust. Sales revenues improved more rapidly in all markets in the second half of 2010 than in the first half. Our newest angelo (Munich, Katowice) and andel's (Berlin, Łódź) hotels also got off to a good start, further substantiating this upward trend.

This was due to the significantly improved market conditions as well as the high quality of our properties, and brought correspondingly encouraging results for the financial year. Impressive EBITDA growth of 182 per cent in annual comparison and healthy EBIT of EUR 24.4 million round out the bright picture for Warimpex.

Nevertheless, 2010 was a challenging year for Warimpex and the entire industry. Despite the improved market conditions, debt financing was still expensive and difficult to come by. Due to this situation, Warimpex initiated a capital increase in April 2010 and completed it successfully in May 2010. A total of 14.4 million new shares were floated. The capital raised through this measure enabled us to continue ongoing projects and to react flexibly to market developments.

At the same time, banks becoming more open to providing financing for new development projects this year after a long period of restrictive conditions. In October, we successfully negotiated a EUR 60 million credit agreement with a Polish bank consortium for our Airport City project in St. Petersburg. This was a major success in the current environment.

Activity on the transaction markets also picked up slightly, as demonstrated by the sale of a 16.69 per cent share in the Palais Hansen development project in Vienna and the sale of the Le Palais office building development project.

Warimpex' real estate portfolio was valued on 30 June and 31 December by the external, independent appraiser CB Richard Ellis (CBRE). The high impairment charges that were recognized in 2009 proved to be overly pessimistic in the second half of the previous financial year already. This view was confirmed again this year, and a part of the impairment losses recognized in the previous financial years was reversed in the reporting period. Write-ups of EUR 23.5 million were made. The triple net asset value (NNNAV) per share fell by 8 per cent in annual comparison, solely due to the higher number of shares after the capital increase, and came in at EUR 3.50 per share. However, it rose by 6 per cent compared to 30 June 2010.

What does the future have in store?

We expect that project financing will remain difficult to obtain in the coming year. In order to remain successful despite this, we plan to issue bonds with a total volume of PLN 300 million or EUR 75 million over the next three years, primarily for Polish institutional investors. A convertible bond is also a possibility. In addition to refinancing short-term loans, the capital raised will be used for development projects. In any case, we have laid a solid foundation for the continuation of our development strategy and are starting the new year with plenty of momentum.

Our strategy will continue to focus on investments in major cities other than the often overly developed capitals. A key aspect of this is the successful development of budget hotels in cooperation with Starwood Capital and Louvre Hotels. In addition to the start of construction of the first Campanile and Première Classe budget hotels in the centre of the Polish city of Wrocław, which are to be opened in 2011, five further projects in Zielona Góra, Bydgoszcz and Katowice in Poland and Budapest in Hungary, are in advanced stages of planning.

Thanks to the signing of the loan agreement mentioned above, our activities on the growth market of Russia are secure and we will be able to complete a four-star Crowne Plaza hotel at the end of 2011 and modern office buildings at Airport City in St. Petersburg.

On the transaction markets, we expect to exploit the recovery that began last year to a greater degree in 2011 and to sell a number of high-quality properties at appropriate terms.

The year 2011 should be a period of growth for our Group.. We are confident that Warimpex will be able to profit from the positive trends on the hotel and real estate markets. Now, we must press ahead, do our part to further the upswing, and get the most out of the steadily improving market conditions. With the good results achieved in 2010, we expect sales and earnings to improve substantially in 2011.

As every year, I would like to take this opportunity to thank all of our employees for their outstanding performance. Without their tireless efforts, it would not have been possible for us to improve our profit from EUR -92.7 million to nearly EUR 3.7 million in just one year and under challenging conditions. And I would especially like to thank you, esteemed shareholders, for your continued trust.

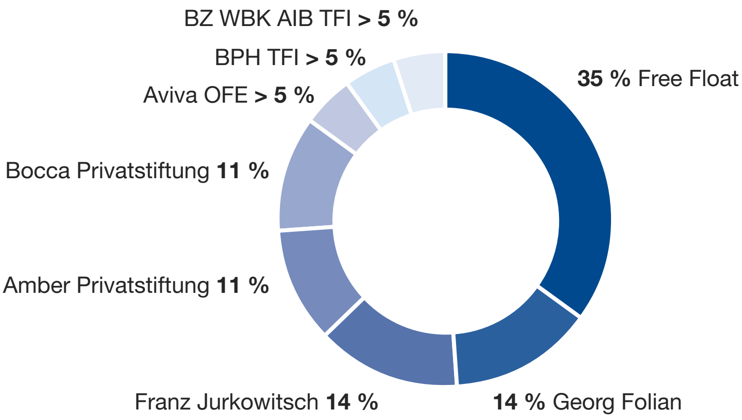
Franz Jurkowitsch

INVESTOR RELATIONS

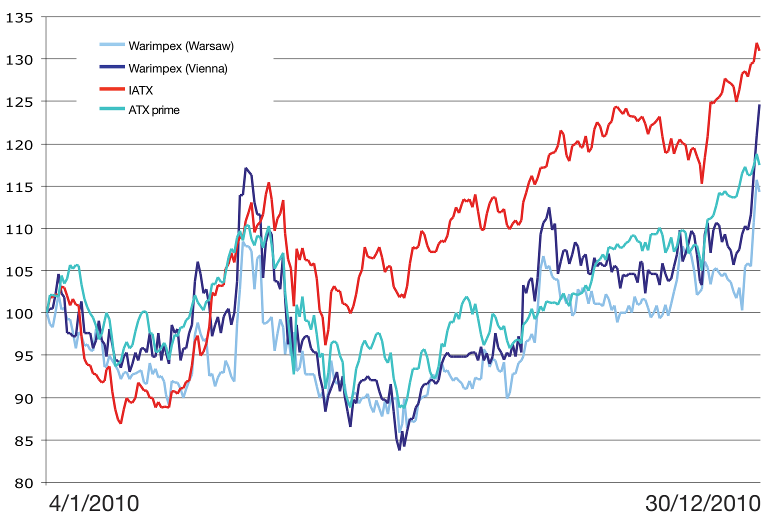
After closing at EUR 2.18 at the end of 2009, the share price rose to roughly EUR 2.50 by the middle of April. In the middle of May, 14,400,001 shares were issued at a price of EUR 2.00 each. After the issue, the share price fell briefly to EUR 1.80 and then recovered significantly starting in the third quarter. The closing price on 30 December 2010 was EUR 2.68.

Since our IPO, we have maintained an open and proactive communication policy with our investors, and participated in investor conferences in Kitzbühel, Zürs, Warsaw, Frankfurt and Paris this year. Investor meetings were also held in Vienna, Munich, Zurich, Budapest, Warsaw, Helsinki, Tallinn and London in connection with the capital increase.

Shareholder structure as of 28 March 2011



Share price performance



Key share data

ISIN
AT0000827209

Number of shares at 31 December 2010
54,000,000

Ticker symbols
Stock exchanges WXF I Reuters WXFB.VI

High*
EUR 2.68 I PLN 10.30

Low*
EUR 1.80 I PLN 7.64

Price at 31 December 2010
EUR 2.68 I PLN 10.17
*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 34,000 shares
in Warsaw approximately 19,000 shares

GROUP MANAGEMENT REPORT

for the financial year from 1 January to 31 December 2010

MARKETS

POLAND

Economic environment
In 2010, GDP growth is expected to total 3.5 per cent. This high growth can be attributed to high public-sector investments (financed in part by the EU, including in preparation for the world football championships in 2012) and resurging exports. GDP growth is expected to increase to 3.9 per cent for 2011.[1] Poland has a large domestic market and stable consumer demand.

Top rents for office properties rose considerably (+8.7 per cent) in Warsaw in 2010.[2] In the hotel industry, occupancy rose by 7.5 per cent, but the average room rate in euros fell slightly (-3.5 per cent).

Existing portfolio: 7 hotels, 2 office properties
Warimpex holds a 50 per cent interest in the five-star InterContinental and a 25 per cent interest in the four-star Sobieski Hotel in Warsaw.

In Krakow, Warimpex has leased the four-star-plus andel's hotel since September 2009 and also owns the three-star Hotel Chopin.

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 and a 27-hole golf course.

The occupancy rate at the hotel InterContinental rose significantly to 78 per cent in 2010 (2009: 71 per cent), and the average room rate in euros increased slightly. Occupancy at the Sobieski hotel was up slightly compared to last year (2010: 59 per cent, 2009: 58 per cent), and the average room rate in euros also increased by roughly 10 per cent. The occupancy rate at the Chopin hotel rose from 63 to 64 per cent, but the average room rate had to be reduced slightly. At the andel's hotel in Krakow, the occupancy rate also increased (2010: 70 per cent, 2009: 68 per cent), and the average room rate fell slightly.

The andel's hotel in Łódź, the first four-star hotel in the city, achieved an occupancy rate of 51 per cent in 2010 (6–12 2009: 52 per cent), and the average room rate was increased substantially. The occupancy rate at the Amber Baltic beachfront resort came in at 42 per cent (2009: 40 per cent), and room rates remained stable. Due to its location on the Baltic coast, occupancy rates at this hotel are subject to strong seasonal fluctuations, and cannot be compared to those of city hotels.

In addition to the hotels listed above, Warimpex owns shares in the Sobieski and Parkur Tower office buildings in Warsaw through joint ventures.

Under development: 2 office buildings, 1 shopping centre
Warimpex owned one of the few historical buildings in Warsaw. Originally, it was planned to convert the building into a five-star Le Palais luxury hotel. The construction permit for this was issued in September 2008. As rental rates for offices in the central business district have risen considerably, however, it was decided to develop the property into an office building instead of a hotel. The building permit for an office building was issued in July 2010. The project company was sold at the end of 2010. Construction began in January 2011 and is scheduled to be completed at the end of 2012.

An office building that is owned by Warimpex in Krakow is also to be modernized. The building permit was issued in July 2010. In Białystok, Warimpex is working to develop a shopping centre.

[1] European Commission Forecast Autumn 2010
[2] CB Richard Ellis Markets View EMEA Rents and Yields Q4 2010

CZECH REPUBLIC

Economic environment

GDP growth in the Czech Republic came to 2.4 per cent in 2010. With continuing robust economic activity but also budget consolidation measures, GDP growth is expected to slow somewhat to 2.3 per cent in 2011 and then to surge to a solid 3.1 per cent in 2012.[3]

In Prague, occupancy rates rose by an average of 3.8 per cent, while the average room rate in euros fell by 6.8 per cent. A turnaround was seen in the second half of 2010, and room rates stabilized.

Existing portfolio: 7 hotels

In Prague, Warimpex owns the three five-star hotels Palace, Le Palais and Savoy, and in the four-star segment the Diplomat hotel and the angelo hotels in Prague and Plzeň. Warimpex also consolidates the Dvořák spa hotel in Karlovy Vary according to IAS/IFRS.

In the period under review, the two four-star hotels in Prague achieved occupancy rates of 57 and 63 per cent (2009: 51 and 66 per cent), and the average room rates showed signs of stabilizing starting in August, allowing the rate to be kept constant in annual comparison. In the five-star segment, occupancy increased especially significantly and ranged between 46 and 62 per cent (2009: 32 and 53 per cent). The average room rates also continued to decline in annual comparison, but a recovery was seen towards the end of the year.

At the Hotel Dvořák in Karlovy Vary, the occupancy rate for the year was 76 per cent (2009: 77 per cent). The average room rate did not change.

Occupancy at the angelo in Plzeň increased significantly from 38 to 46 per cent, but the average room rate fell slightly.

HUNGARY

Economic environment

After declining by 6.7 per cent in 2009, GDP is projected to have grown by a moderate 1.1 per cent in 2010. GDP growth of 2.8 per cent is expected in 2011. One of the main reasons for the contraction in economic output and low growth in 2009 was weak domestic demand, in part because of the terms imposed by the IMF.
Top rents remained stable in annual comparison in Budapest, but the vacancy rate is still very high.

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, about 100 per cent of which is occupied. The Sajka office building, which has roughly 600 square metres of lettable space, was used by the Group for its own purposes during the 2010 financial year. The Warimpex office in Budapest was closed in January 2011 and a rental contract for roughly 70 per cent of the space was concluded with an external party.

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. Tenants are currently being sought for tower A; plans are in place to modernize and rent this tower as well.

[3] European Commission – European Economic Forecast Autumn 2010

ROMANIA

Economic environment

Romania's economic output fell by 7.1 per cent in 2009 due to a massive decline in capital inflows and a decrease in consumption. The year 2010 brought another contraction (-1.9 per cent). Bottoming out after two years of decline, the economy is now expected to grow again in 2011 (1.5 per cent).

In the Bucharest market as a whole, occupancy rates rose at low average room rates, showing that the market is on its way to recovery.

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 41 per cent in 2010 (2009: 34 per cent), but significantly increased occupancy was registered in the third and fourth quarters. The average room rate continued to fall.

GERMANY

Economic environment

The German economy recovered very rapidly after its marked contraction (-4.7 per cent). Thanks to higher exports, especially in the automobile industry and in plant and machine building, GDP grew again by 3.7 per cent in 2010.[4] GDP growth for 2011 is expected to come in at 2.2 per cent.

In Berlin, occupancy rates rose by an average of 1.0 per cent, while the average room rate increased by 9.6 per cent. In Munich, occupancy rates rose by an average of 5.6 per cent, and the average room rate was up by 17.1 per cent.

The substantially higher level of economic growth in 2010 had a clear impact on the hotel market in Munich and Berlin. The reduction in the value added tax rate for hotels also had a positive effect on the average room rates.

Existing portfolio: 2 hotels

Warimpex holds 50 per cent of the angelo hotel in Munich and of the andel's hotel in Berlin.

Occupancy at the angelo in Munich was 78 per cent (2009: 72 per cent), and the average room rate was also increased by roughly 30 per cent.

In Berlin, the largest andel's hotel to date was opened at the beginning of March 2009. Occupancy was encouraging at 64 per cent in 2010 (3–12 2009: 57 per cent). The average room rate was raised by roughly 20 per cent.

Under development: 1 hotel, 1 conference centre

Plans for the second phase of the angelo project in Munich foresee the expansion of the hotel. In addition, a piece of land adjacent to the andel's hotel in Berlin was purchased in 2009 for the development of a conference centre. Planning is currently under way for both projects.

[4] European Commission – European Economic Forecast Autumn 2010

FRANCE

Economic environment
After GDP contracted by 2.6 per cent in 2009, economic output improved by 1.6 per cent in 2010 thanks to higher exports and greater domestic demand. GDP is projected to grow by 1.6 per cent in 2011.[5]

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 were encouraging in 2010 at 72 and 65 per cent (2009: 69 and 54 per cent). The average room rate also increased moderately at both hotels.

AUSTRIA

Economic environment
Austria's economy is strongly dependent on the development of the economies in Germany and Eastern Europe. GDP contracted by 3.9 per cent in 2009. The economy is expected to have grown by 2.0 per cent in 2010 and is projected to grow by 1.7 per cent in 2011.[6]

Under development: 1 hotel with 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/Vienna Insurance Group and PORR Solutions. The project, which is scheduled to open at the end of 2012, is Warimpex' first in Austria. A renowned operator and leaseholder was won for Palais Hansen, the hotel operator Kempinski. In February 2010, Warimpex reduced its share in this project from 26.57 to 9.88 per cent. Construction work commenced at the beginning of September 2010.

RUSSIA

Economic environment
The fall in commodities prices and the strong reversal in global capital flows hit the country hard and GDP fell by 7.9 per cent in 2009. GDP is expected to have grown by 4.0 per cent in 2010, and solid growth is projected for 2011 as well. Because of increased investment demand, higher commodities prices and a further recovery of consumer spending, GDP is forecast to expand by 4.3 per cent in 2011.[7]

Existing portfolio: 2 hotels
In Russia, Warimpex holds 60 per cent of the Liner Hotel and the angelo hotel at Koltsovo airport in Ekaterinburg. An angelo hotel Ekaterinburg, which has a direct link to the new terminals, was opened in the third quarter of 2009. While the existing Liner Hotel enjoyed very satisfactory occupancy in 2010, occupancy at the considerably more expensive angelo hotel was very poor in the first three quarters of 2010. The trend in the fourth quarter was positive, however.

Under development: 1 hotel, airport office park
The Airport City development project is currently under construction in St. Petersburg. The first phase comprises a four-star Crowne Plaza hotel (InterContinental Group) plus office buildings with 39,000 square metres of space. The hotel is scheduled to be completed in the fourth quarter of 2011, and the office buildings in 2011/12. Financing in the amount of EUR 60 million was secured for this project and the corresponding contract signed at the end of October.

[5] European Commission – European Economic Forecast Autumn 2010
[6] European Commission – European Economic Forecast Autumn 2010
[7] IMF; World Economic Outlook Update January 2011

BUDGET HOTELS

Under development: 7 hotels

In March 2007, Warimpex entered into a strategic joint venture with Louvre Hotels to develop budget hotels in Central Europe. At the beginning of 2009, Louvre transferred its financial interest in this joint venture to Starwood Capital Group – the owner of Louvre – but is still involved as a development partner and especially as the operator and franchisor (for the brands Première Classe and Campanile) of all of the hotels. The objective is to develop the successful Louvre Hotels brands Campanile and Première Classe in Warimpex' home markets.

The first joint hotels are to be opened in Wrocław in the first quarter of 2012, and then in Bydgoszcz and Zielona Góra. Construction work on these hotels began in the fourth quarter of 2010 or is to begin in the second quarter of 2011. The completion of the hotels in Budapest and Katowice is planned for the end of 2012. Suitable properties have been purchased, and the necessary building permits have already been issued. Financing for the hotel in Budapest was secured in April 2010.

The following projects are currently under construction or development through the joint venture with Louvre Hotels:

Under construction:

- Campanile hotel, Wrocław (152 rooms, opening scheduled for Q1 2012)
- Première Classe hotel, Wrocław (136 rooms, opening scheduled for Q1 2012)

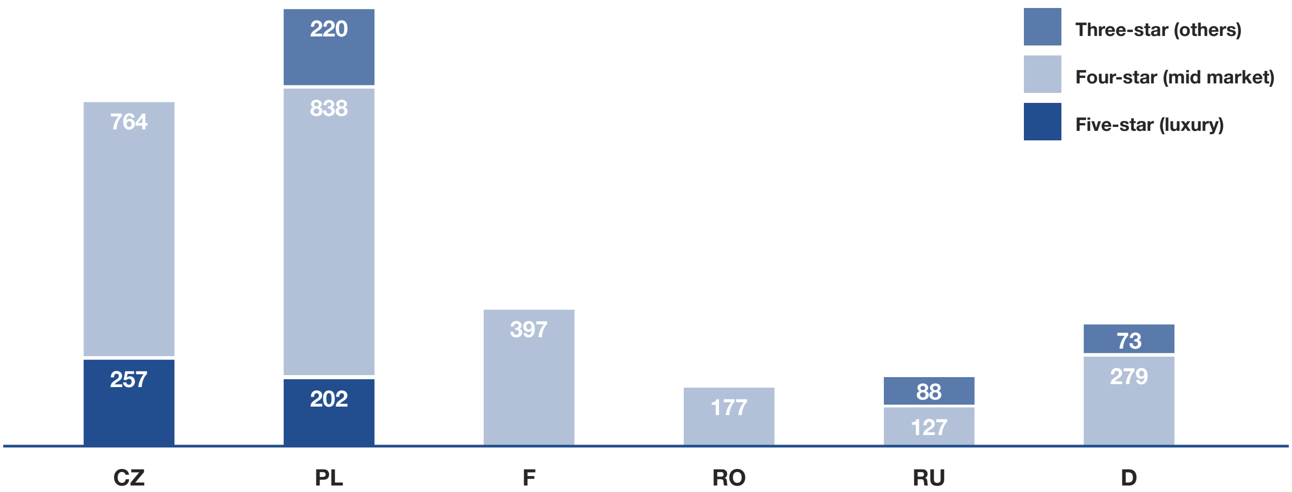
In design phase:

- Campanile hotel, Budapest (284 rooms)
- Campanile hotel, Zielona Góra (84 rooms)
- Campanile hotel, Bydgoszcz (117 rooms)
- Campanile hotel, Katowice (100 rooms)
- Campanile hotel, Ostrava (112 rooms)
- Première Classe hotel, Katowice (100 rooms)
- Première Classe Hotel, Ostrava (100 rooms)

In addition, an option was secured in the second half of 2010 for a further property at a central location in Brno, the second largest city in the Czech Republic, for the development of a Campanile hotel with 136 rooms.

Warimpex and Starwood Capital Group are also currently involved in negotiations on the development of a budget hotel in Prague. Concrete talks are also under way about the purchase of further pieces of land in Warsaw and Gdansk, Poland, as well as Kosice, Slovakia. Additional hotel plans are currently focused on Bratislava, Slovakia, and the Hungarian city of Miskolc.

Hotel portfolio (number of rooms adjusted for proportionate share of ownership) at 31 December 2010



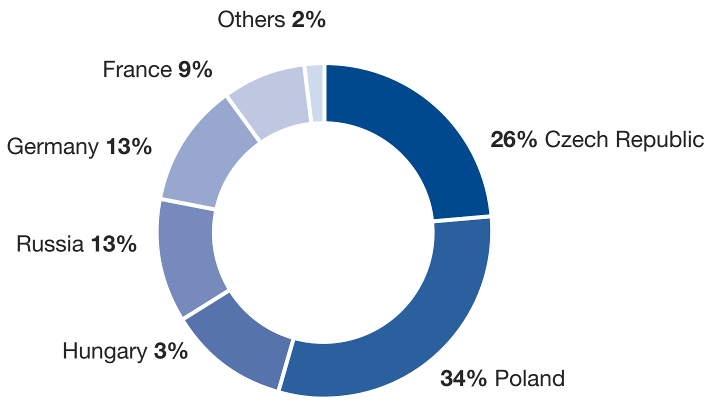
Compared to 31 December 2009, the number of hotel rooms (adjusted for the proportionate share of ownership) increased by 99 from 3,322 to 3,421 as of 31 December 2010. This can be attributed to the opening of the angelo hotel Katowice.

BUSINESS DEVELOPMENT

As of the end of December 2010 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 Hungary, Germany, the Czech Republic, Poland 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)



The greatest share of the Company's gross asset value, 34 per cent, is located in Poland, followed by the Czech Republic with 26 per cent. In terms of sector breakdown, roughly 95 per cent of the Group's real estate assets (excluding development projects) are hotels, while 5 per cent are office properties.

Gross asset value (GAV) at 31 December 2010

ASSETS, FINANCIAL POSITION AND EARNINGS SITUATION

Result for the financial year 2010

Consolidated income statement (in thousands of euros)	**2010**	2009	2008
Revenues			
Hotels & Resorts	96,364	79,608	86,662
Development & Asset Management	6,799	5,650	7,706
	103,164	**85,258**	**94,368**
Gains from the sale of real estate	20,080	34,738	26,575
Carrying amounts, loans assumed by the purchaser	-11,323	30,828	-12,709
Gains from the sale of disposal groups	**8,756**	**3,910**	**13,866**
Change in real estate projects under development or construction	-1,314	1,264	-378
Negative goodwill recognized in income	–	–	1
Other income	385	945	5,153
	-929	2,209	4,776
	110,991	**91,378**	**113,010**
Expenses			
Expenses for materials and services rendered	-48,568	-40,495	-43,113
Expenses for project development	-151	-1,592	-1,598
Personnel expenses	-29,431	-27,078	-27,675
Other expenses	-10,098	-14,159	-11,272
Total expenses	**-88,248**	**-83,324**	**-83,658**
EBITDA	**22,743**	**8,054**	**29,353**
Depreciation and amortization on property, plant and equipment and intangible assets	1,641	-78,396	-26,014
Impairment of goodwill	-	-1,430	-6,751
EBIT	**24,384**	**-71,772**	**-3,412**
Financial revenue	3,315	3,937	3,668
Finance costs	-25,307	-23,698	-27,324
Result from associated companies	–	-824	-2,370
Pre-tax profit	2,392	-92,358	-29,439
Profit for the year	**3,747**	**-92,667**	**-29,388**

Development of revenues

Business with the operation of hotels developed considerably better in 2010 than in 2009. Conditions on Warimpex' core hotel markets were varied, however. While revenues in Munich, Berlin and Paris grew substantially, turnover in the Czech Republic only remained stable. Revenue growth in Poland was also inconsistent from region to region. While sales increased substantially at the hotels in Warsaw, growth rates in secondary cities were not nearly as robust.

Sales revenues improved more rapidly in all markets in the second half of 2010 than in the first half, so a clear positive trend was seen.

About 95 per cent of revenues came from the operation of hotel properties, even though these contribute substantially less than 95 per cent of the Warimpex Group's EBITDA. This is explained by the fact that proceeds from the sale of real estate projects are not shown in the item "Revenues", because real estate transactions are usually carried out through a sale of shareholdings. Sales proceeds from the sale of properties are shown under "Gains from the sale of real estate". The carrying values of the properties and any loans assumed by the buyer are deducted from these amounts. Gains realised from share deals of this kind are reported in the item "Gains from the sale of real estsate".

Consolidated sales increased by 21 per cent from EUR 85.3 million to EUR 103.2 million in financial year 2010. Sales revenues from hotel operations increased from EUR 79.6 million in 2009 to EUR 96.4 million in the reporting period. This gain can be attributed on the one hand to the hotels that were opened in 2009 (angelo Ekaterinburg, andel's Łódź, andel's Berlin) and that had their first full year of operation in 2010, and on the other to the opening of the angelo in Kattowice and significant increases in sales in Munich, Berlin and Paris and at the InterContinental in Warsaw.

Revenues from the rental of offices and the provision of development services increased from EUR 5.6 million to EUR 6.8 million. While revenues from the rental of offices fell by 15 per cent, primarily due to the sale of an office property in the middle of 2009, the billing of an approach ramp whose construction was included in the purchase price of the property in Łódź brought one-off income in the development sub-segment.

Earnings situation

Warimpex recognizes its tangible non-current assets at cost minus depreciation, and does not recognize any increases in the value of its real estate assets in the profit and loss account. 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.

Gains from the sale of real estate

In the first half of 2010, Warimpex sold a 16.69 per cent share in the Palais Hansen development project in Vienna for a price of EUR 7.3 million. The profit from this transaction was EUR 3.1 million, and Warimpex still holds 9.88 per cent of the project.

At the end of the year, Warimpex sold the Le Palais office building development project in Warsaw, and entered into an obligation to complete the property for the purchaser. The profit from the sale amounted to EUR 5.0 million.

Csalogány office building in Budapest was sold in the previous financial year. The sale made a EUR 2.3 million contribution to the profit for the period.

EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose significantly from EUR 8.1 million in 2009 to EUR 22.7 million, a gain of 187 per cent. This EUR 14.6 million jump can above all be attributed to higher earnings from the sale of project companies and properties (plus EUR 4.9 million) and higher earnings in the Hotels & Resorts segment due to improved sales revenues.

EBIT

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 23.5 million. Nevertheless, scheduled write-downs in the amount of EUR 20.0 million and impairment charges of EUR 0.9 million were recognized in the period.

Impairment losses had to be recognized on real estate (and on goodwill) in the previous reporting period. These charges totalled EUR 62.5 million (2008: 19.8 million).

Because of these effects and the factors discussed above, EBIT surged well into the black, rising from minus EUR 71.8 million to plus EUR 24.4 million.

Financial result

The financial result worsened slightly from minus EUR 20.6 million to minus EUR 22.0 million. Interest on current account loans, long-term project financing and other loans increased by EUR 1.1 million in 2010 compared to 2009. Non-cash losses of EUR 4.3 million in connection with CHF-denominated loans had a negative impact on the financial result for the period.

Profit for the year

The Warimpex Group's profit for the year improved from minus EUR 92.7 million to plus EUR 3.7 million in annual comparison. This marked improvement can be attributed primarily to the fact that the result in the previous year was influenced heavily by impairment charges.

Segment reporting

(For more information, see the detailed comments in [06] Segment information in the Notes.)

The Warimpex Group has defined the segments Hotels & Resorts and Development & Asset Management. The Hotels & Resorts segment is clearly comparable with the hotels and/or hotel rooms held by the Group as consolidated entities in the reporting year. The Development & Asset Management segment contains both profits resulting from the letting of investment property and profits from the sale of real estate.

Hotels & Resorts segment

EUR '000	**2010**	2009	2008
Revenues for the Group	96,364	79,608	86,660
Average number of hotel rooms for the Group*	3,519	3,089	2,583
Group NOP	21,844	17,052	20,893

*See Note 6.01, "Hotels & Resorts segment"

Sales revenues from hotels grew at a significantly higher rate in 2010 than in 2009. The average number of available rooms rose by 430 (+14 per cent) to 3,519 (100 per cent of the fully consolidated hotels in Ekaterinburg are included in this figure), while sales revenues from hotel operation increased by 21 per cent from EUR 79.6 million to EUR 96.4 million.

The net operating profit (GOP calculated according to the Uniform System of Accounts for the Lodging Industry less costs after GOP) improved by 28 per cent to EUR 21.8 million. The higher NOP margin can above all be attributed to the fact that the hotels that were opened in 2009 had their first full year of business in 2010, but also to improved occupancy levels and room rates.

The changes in capacity levels in the Hotels & Resorts segment resulted from the opening of the andel's hotel in Berlin, the opening of the andel's hotel in Łódź, the opening of the angelo hotel in Ekaterinburg, the closing of the Hansa hotel ship in 2009 and the opening of the angelo hotel in Katowice in 2010.

Development & Asset Management segment

EUR '000	**2010**	2009	2008
Revenues for the Group	6,799	5,650	7,706
Segment EBITDA	7,073	-4,859	12,406

Revenues in the Development & Asset Management segment rose by 20 per cent from EUR 5.7 million to EUR 6.8 million. This improvement can primarily be attributed to the settlement of a package of development services.

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. An office property in Budapest and the andel's hotel in Krakow were sold in 2009. The profit from these sales came to EUR 3.9 million. In 2010, Warimpex sold a 16.69 per cent stake in the Palais Hansen development project in Vienna, the Le Palais office building development project in Warsaw, a share in a development property in Warsaw and a stake in an energy project. The profit from these sales came to EUR 8.8 million.

Financial position

Consolidated balance sheet EUR '000	**2010**	2009	2008
Assets			
Non-current assets	582,237	579,816	582,318
Current assets	24,754	31,057	59,872
Total assets	**606,991**	**610,873**	**642,190**
Equity and liabilities			
Issued capital	54,000	39,599	36,000
Retained earnings and reserves	38,299	22,503	105,050
Minority interests	-3,949	-1,949	4,456
Total equity	**88,350**	**60,153**	**145,506**
Non-current liabilities	419,777	439,328	377,876
Current liabilities	98,864	111,392	118,808
Total liabilities	**518,641**	**550,720**	**496,684**
Total equity and liabilities	**606,991**	**610,873**	**642,190**

Warimpex being a property developer, the assets side of the balance sheet is dominated by property, plant and equipment. Despite the sale of assets, the non-current assets remain stable due to value increases.

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. Current and non-current debt was decreased during the reporting period. In total, the Company reduced its debt by EUR 32.1 million.

The Group's equity ratio rose from 10 per cent to 15 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 25 per cent (2009: 19 per cent) (NNNAV/adjusted balance sheet total).

Cash flows

Consolidated cash flow statement EUR '000	**2010**	2009	2008
Cash receipts from operating activities	104,463	88,071	96,839
Cash payments from operating activities	-87,476	-76,919	-85,377
Net cash flows from operating activities	**16,987**	**11,151**	**11,462**
Cash flows from investing activities	-31,945	-75,356	-120,106
Cash flows from business combinations, other changes in the scope of consolidation and acquisition of minority interests	16,573	2,278	-4,448
Net cash flows in/from financing activities	-2,768	40,897	122,526
Cash and cash equivalents at end of year	**10,794**	**11,933**	**33,112**

Cash flows from operating activities

The cash flow from operating activities improved substantially from EUR 11.2 million in the 2009 financial year to EUR 17.0 million in the reporting period. While the net operating cash flow increased in all sub-segments of the Hotels & Resorts segment, cash flows from operating activities remained stable in the Development & Asset Management segment (see also Notes 6.01 and 6.02 in the notes to the consolidated financial statements).
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 [06] Segment information in the Notes.

Cash flows from investing activities

The cash outflow from investing activities consisted mainly of payments made for property, plant and equipment in connection with the following projects:

Cash flows from investing activities (EUR '000)	**2010**	2009	2008
Renovation of Magic Circus hotel, Paris	588	3,034	–
Louvre joint venture	1,350	1,912	–
Conversion of angelo Airporthotel Bucharest	25	232	5,105
Construction progress on andel's hotel Łódź	8,026	23,504	30,481
Construction progress on andel's hotel Berlin	–	9,341	31,983
Construction progress on angelo hotel Plzeň	213	–	7,346
Project development and construction progress on Airport City St. Petersburg	3,291	3,902	3,491
Project development and construction progress on angelo hotel Munich	185	–	4,355
Project development progress on Białystok Shopping Centre	–		749
Project development progress for angelo hotel Katowice	3,628	6,206	
Construction progress on angelo hotel Ekaterinburg	213	26,509	13,335
Expansion of Savoy Hotel Prague (purchase of adjacent site)	–	–	147
Refurbishment of Palace Hotel Prague	122	–	40
Refurbishment of Dvořák spa hotel, Karlovy Vary	34	53	361
Refurbishment of Diplomat Hotel, Prague	108	128	820
Other project developments and related to hotels	2,005	5,891	13,895
	19,787	80,712	112,108

Cash flows from business combinations, other changes in the scope of consolidation and acquisition of minority interests

(See [04] in the Notes)
The balance of EUR 16.7 million resulted from the sale of the company holding the Le Palais office building development project in Warsaw, the sale of a 16.69 per cent stake in the Palais Hansen development project in Vienna and the sale of properties in Warsaw and Prague.

The balance of roughly EUR 2.3 million in 2009 was the result of the sale of the company holding the Csalogány office property in Budapest.

Cash flows from interest-bearing debt finance

The change in the cash flows from financing activities can primarily be attributed to cash receipts from capital measures in the amount of EUR 28.8 million and the repayment of loans in the amount of EUR 35.7 million.

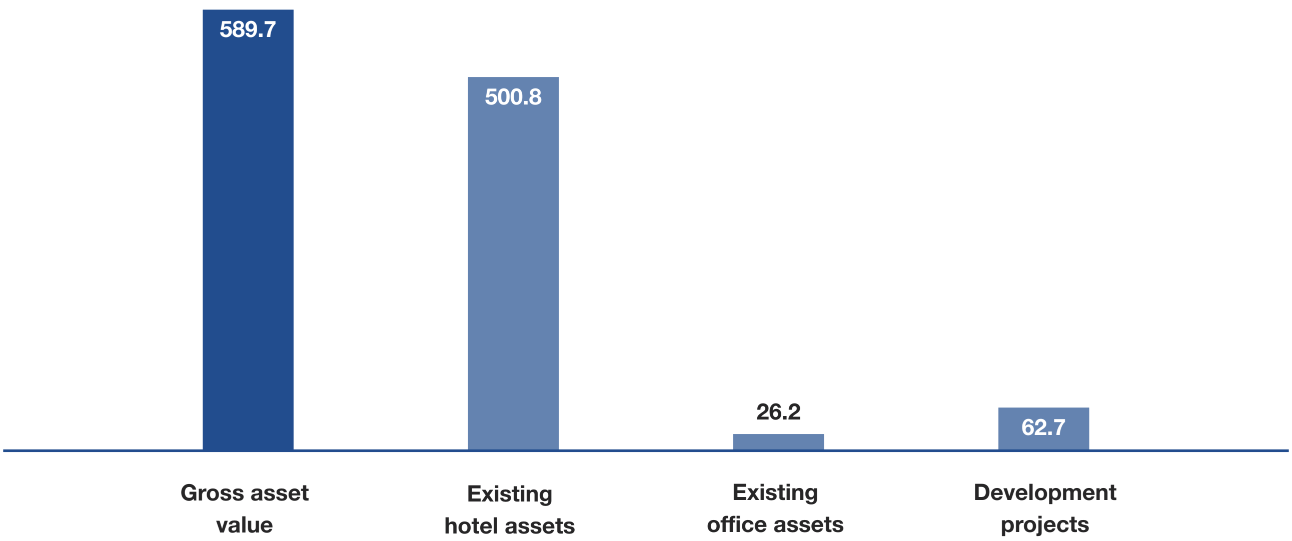
REAL ESTATE ASSETS

As at 31 December 2010, the real estate portfolio of the Warimpex Group comprised twenty-one hotels with over 5,000 rooms (3,421 rooms when adjusted for the proportionate share of ownership) plus five office properties with a total lettable floor area of roughly 32,000 square metres (23,000 square metres when adjusted for the proportionate share of ownership).

In addition, two hotel development projects and four office development projects are under construction or in advanced stages of development, not including the planned budget hotels.

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 properties at cost less depreciation and amortization. Any increases in the value of other properties are not recognized in profit in the respective reporting period. 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 valuated twice annually (at 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 used the discounted cash flow (DCF) approach to calculate the fair values of the properties.

The capitalization factors (yields) used to calculate the earning capacity of hotel properties in Poland ranged from 6.50 to 9.50 per cent (2009: 6.50 to 9.50 per cent), in the Czech Republic from 7.75 to 9.00 per cent (8.00 to 9.00 per cent), in Germany from 6.75 to 7.00 per cent (6.75 to 7.50 per cent), in France 7.25 per cent (7.75 to 8.00 per cent) and in Russia from 11.50 to 12.00 per cent (11.50 to 12.00 per cent). Office properties in Hungary and Poland were discounted at a rate ranging from 8.00 to 9.50 per cent (2009: 8.00 to 9.5 per cent).

Warimpex' gross asset value came in at EUR 589.7 million (2009: EUR 571.9 million) at 31 December 2010. This slight increase can be attributed primarily to property sales offset by new investments and write-ups. The Group's triple net asset value (NNNAV) rose from EUR 148.9 million in 2009 to EUR 187.4 million as at 31 December 2010. The NNNAV increased by 6 per cent compared to 30 June 2010.

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

in EUR m	**12/2010**		**6/2010**		12/2009	
Equity before minority interests		92.3		90.0		62.1
Goodwill		-0.9		-0.9		-0.9
Deferred tax assets	-1.6		-0.8		-1.1	
Deferred tax liabilities	14.0	12.4	12.8	12.0	16.2	15.1
Book value of existing hotel assets	423.8		422.9		411.8	
Fair value of existing hotel assets	500.8	77.0	483.3	60.4	466.1	54.3
Book value of existing office property assets (investment properties)	23.4		23.6		23.5	
Fair value of existing office property assets (investment properties)	26.2	2.8	26.4	2.8	26.6	3.1
Book value of development projects	58.9		55.3		54.8	
Fair value of development projects	62.7	3.8	69.5	14.2	69.9	15.2
Book value of associated companies	–		5.6		9.3	
Fair value of associated companies	–	–	5.6	–	9.3	–
Triple net asset value		**187.4**		**178.5**		**148.9**
Number of shares at 31 December		54.0		54.0		39.6
NNNAV per share in EUR		**3.5**		**3.3**		**3.8**

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 on both 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 effect 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. These events also caused a high degree of uncertainty with regards to what market participants will do. If these events repeat themselves, 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, and it has again become possible to sell assets for acceptable prices. A number of sales transactions are currently being prepared. We assume that we will be able to sell a property in the near future. Further properties can be sold on short notice to raise liquidity, if needed.

The consolidated financial statements show current financial liabilities in the amount of EUR 81.2 million as of the reporting date. It will be necessary to extend or refinance these operating credit lines or to convert them into long-term financing in the coming 12 months. In this context, another financing option is the issue of a convertible bond. If these measures are not sufficient, projects will need to be sold to generate additional 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 manager (e.g. Vienna International) 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. 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' 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 1,531 (previous year: 1,381) employees worked for the Hotels & Resorts segment and 74 (previous year: 85) in the Development & Asset Management segment.

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.

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.

To the best of the Management Board's knowledge, none of these shares are subject to limitations on voting rights or the transfer of shares.

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

Georg Folian	14%
Franz Jurkowitsch	14%
Bocca Privatstiftung	11%
Amber Privatstiftung	11%

The annual general meeting on 31 May 2007 authorized the Management Board to issue convertible 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. The subscription right of the existing shareholders was waived.

Under difficult capital market conditions, Warimpex on 11 May 2010 successfully placed 14,400,001 new bearer shares with voting rights, which is equivalent to roughly 36 per cent of the existing share capital. The final subscription and offer price was set at EUR 2.00 in the book-building process.

At the ordinary annual general meeting on 29 May 2008, the Management Board was authorized to purchase shares in the Company up to the maximum amount permitted by law of 10% of the total capital stock within a period of 30 months after the passing of the motion. Authorization for the Management Board to purchase shares in the Company was renewed at the annual general meeting on 28 May 2009. This replaced the stock buyback programme that was decided last year and permits the purchase of up to 10 per cent of the Company's capital stock at a share price of no more than EUR 8.40.

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 in payment for the purchase of real estate, business entities, business operations, or shares in one or more companies in Austria or abroad.

The buyback programme began on 21 July 2008 and ran until the end of 2008, the acquisition price range was 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.

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

Seven real estate projects are currently under construction or in advanced stages of development (not including the planned budget hotels).

The following hotel projects are currently under construction:

- Airport City, St. Petersburg, business park with 40,000 square metres of office space and an international hotel with 300 rooms (opening of the hotel and phase 1a scheduled for the fourth quarter of 2011, opening of phase 1b scheduled for 2013)
- Le Palais office building, Warsaw (opening scheduled for the end of 2012)
- Palais Hansen Kempinski hotel, Vienna (opening scheduled for the end of 2012)

The following projects are in advanced stages of development:

- Redevelopment of tower A at Erzsebet office complex
- Office building, Krakow
- Hotel/office building, Munich
- Shopping centre, Białystok

The following projects are currently under construction or development through the joint venture with Louvre Hotels:

Under construction:

- Campanile hotel, Wrocław (152 rooms, opening scheduled for Q1 2012)
- Première Classe hotel, Wrocław (136 rooms, opening scheduled for Q1 2012)

In design phase:

- Campanile hotel, Budapest (284 rooms)
- Campanile hotel, Zielona Góra (84 rooms)
- Campanile hotel, Bydgoszcz (117 rooms)
- Campanile hotel, Katowice (100 rooms)
- Campanile hotel, Ostrava (112 rooms)
- Première Classe hotel, Katowice (100 rooms)
- Première Classe hotel, Ostrava (100 rooms)

Vienna, 25 March 2011

Franz Jurkowitsch
Chairman of the Management Board

Georg Folian
Deputy Chairman of the Management Board

Christian Fojtl
Member of the Management Board

Alexander Jurkowitsch
Member of the Management Board

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED **31 DECEMBER 2010**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year from 1 January to 31 December 2010

EUR	Note	2010	2009
Revenues			
Revenues – Hotels & Resorts segment		96,364,418	79,607,960
Revenues – Development & Asset Management segment		6,799,256	5,649,884
	7.01.	**103,163,674**	**85,257,844**
Gains from the sale of real estate			
Gains from the sale of real estate		20,079,867	34,737,562
Carrying amounts, loans and borrowings assumed by the purchaser		(11,323,492)	(30,827,583)
	4.01.	**8,756,375**	**3,909,979**
Other income and expenses			
Changes in real estate projects under development or construction	[16]	(1,314,444)	1,264,444
Other income		385,270	944,728
		(929,174)	**2,209,173**
Expenses for materials and services rendered	7.02.	(48,567,995)	(40,494,771)
Expenses for project development	7.02.	(150,622)	(1,591,607)
Personnel expenses	7.03.	(29,430,933)	(27,078,425)
Depreciation and amortization expense for and write-ups on property, plant and equipment, investment properties and intangible assets	7.04.	1,640,905	(78,396,131)
Thereof reversal of impairment write-downs		*23,460,141*	–
Other expenses	7.05.	(10,098,441)	(14,158,868)
Impairment of goodwill	[13]	–	(1,429,626)
		(86,607,086)	(163,149,429)
Operating profit		**24,383,789**	**(71,772,433)**
Financial revenue	7.07.	3,314,513	3,937,050
Finance costs	7.06.	(25,306,681)	(23,698,197)
Result from associated companies	[14]	–	(824,292)
Profit before tax		**2,391,621**	**(92,357,873)**
Income tax paid	[08]	(270,693)	(1,092,990)
Deferred taxes	[08]	1,626,480	783,616
Profit for the period		**3,747,408**	**(92,667,247)**
Foreign currency translation		(1,055,726)	(747,702)
Net gains/losses from hedging		(80,419)	(734,628)
(Deferred) taxes recognized in equity		(54,061)	257,097
Other income/expense		**(1,190,206)**	**(1,225,233)**
Total income and expenses for the period		**2,557,203**	**(93,892,480)**
Profit for the period attributable to:			
- Equity holders of the parent		5,254,294	(86,519,399)
- Non-controlling interests		1,506,885	(6,147,847)
		3,747,408	(92,667,247)
Total income/expenses for the period attributable to:			
- Equity holders of the parent		4,548,743	(87,486,974)
- Non-controlling interests		(1,941,540)	(6,405,506)
		2,557,203	**(93,892,480)**
Earnings per share:			
Undiluted, for the profit for the period attributable to ordinary equity holders of the parent	[09]	0.11	(2.36)
Diluted, for the profit for the period attributable to ordinary equity holders of the parent	[09]	0.11	(2.36)

CONSOLIDATED BALANCE SHEET

at 31 December 2010

EUR	Note	2010	2009
ASSETS			
Non-current assets			
Property, plant and equipment		431,246,868	376,720,698
Property under construction		30,681,483	81,019,736
	[10]	461,928,351	457,740,434
Investment properties	[11]	55,021,114	42,885,519
Goodwill	[13]	921,266	921,266
Other intangible assets	[12]	236,051	397,799
Associated companies	[14]	–	9,337,412
Other financial assets	[15]	62,552,132	67,421,539
Deferred tax assets	[08]	1,578,047	1,112,352
		582,236,961	**579,816,321**
Current assets			
Inventories	[16]	1,696,136	3,013,257
Trade and other receivables	[17]	8,855,363	16,025,579
Financial instruments available for sale	[14]	3,366,870	–
Other financial assets	26.3.	42,093	84,241
Cash and short-term deposits	[18]	10,793,875	11,933,442
		24,754,336	**31,056,519**
TOTAL ASSETS		**606,991,297**	**610,872,840**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Issued capital	[09]	54,000,000	39,599,999
Capital reserves		70,921,626	59,627,010
Retained earnings		(34,950,424)	(40,204,719)
Treasury shares	[09]	(301,387)	(301,387)
Other reserves	[19]	2,629,979	3,380,802
		92,299,794	62,101,705
Non-controlling interests		*(3,949,489)*	*(1,949,100)*
Total equity		**88,350,305**	**60,152,605**
Non-current liabilities			
Interest-bearing loans and borrowings	[20]	392,804,699	418,559,227
Provisions	[21]	3,457,155	3,353,547
Other payables	[22]	9,497,605	1,256,038
Deferred tax liabilities	[08]	14,017,512	16,159,365
		419,776,971	**439,328,176**
Current liabilities			
Trade and other payables	[22]	14,621,701	35,525,278
Interest-bearing loans and borrowings	[20]	81,154,377	70,552,125
Derivative financial instruments	26.3.	1,591,624	467,205
Income tax payable		199,590	180,992
Provisions	[21]	1,296,730	4,666,457
		98,864,022	**111,392,058**
TOTAL EQUITY AND LIABILITIES		**606,991,298**	**610,872,840**

CONSOLIDATED CASH FLOW STATEMENT

for the financial year from 1 January to 31 December 2010

EUR	Note	2010	2009
Cash receipts from operating activities			
From the operation of hotels and rent received		103,293,097	83,952,487
From real estate development projects		291,277	2,270,124
Interest received		878,322	1,848,303
		104,462,697	**88,070,915**
Cash payments for operating activities			
For real estate development projects		(475,979)	(1,920,498)
For materials and services received		(48,536,126)	(37,544,832)
For personnel and related expenses		(29,441,553)	(28,000,623)
For other expenses		(8,874,476)	(7,540,610)
Income tax paid		(147,800)	(1,912,890)
		(87,475,933)	**(76,919,453)**
Net cash flows from operating activities	[06]	**16,986,763**	**11,151,462**
Cash flows from investing activities			
Relating to property, plant and equipment:			
Proceeds from the sale of property, plant and equipment		369,568	27,912,317
Purchase of available-for-sale investments		(19,787,715)	(80,712,100)
	[10]	(19,418,147)	(52,799,783)
Relating to investment properties:			
Purchase of available-for-sale investments	[11]	(8,560,051)	(12,520,943)
Relating to computer software:			
Proceeds from the sale of computer software		–	15,808
Acquisition of software		(3,432)	(311,137)
		(3,432)	(295,329)
Acquisition of shares in associated companies	[14]	(620,298)	(871,015)
Relating to other financial assets:			
Payouts from granted loans		(5,428,554)	(7,364,542)
Other		2,085,954	(1,504,859)
		(3,342,600)	(8,869,401)
		(31,944,527)	**(75,356,471)**

EUR	Note	2010	2009
Cash flows from business combinations, other changes in the scope of consolidation and the acquisition of minority interests			
Proceeds from the sale of disposal groups and properties		19,370,679	2,600,000
Cash and cash equivalents of disposal groups		(2,701,780)	(321,993)
	4.01.	16,668,899	2,278,007
Payments for business combinations effected in previous periods		(95,705)	–
		16,573,194	2,278,007
Net cash flows used in/from investing activities and changes in the scope of consolidation		**(15,371,333)**	**(73,078,464)**
Cash flows from financing activities			
Cash received from capital measures		28,800,002	8,099,998
Payments made in connection with capital measures		(3,096,512)	(449,928)
Payments for the purchase of treasury shares	[09]	–	(10,368)
Payments received from and made to minority interests		68,540	165
Proceeds from loans and borrowings	20.1.	26,363,879	115,367,594
Repayment of loans and borrowings	20.1.	(35,708,665)	(65,261,135)
Interest and other finance costs paid		(19,485,393)	(18,793,592)
Inflows and outflows for derivative financial instruments		–	1,944,516
Net cash flows from/used in financing activities		**(2,768,149)**	**40,897,250**
Net change in cash and cash equivalents		(1,152,719)	(21,029,752)
Net foreign exchange difference		13,152	(149,154)
Cash and cash equivalents at 1 January		11,933,442	33,112,348
Cash and cash equivalents at end of year		**10,793,875**	**11,933,441**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year from 1 January to 31 December 2010

EUR	Issued capital	Capital reserve	Retained earnings	Treasury shares	See Note 19 Other reserves	TOTAL	Minority interests	Total equity
At 1 January 2009	**36,000,000**	**55,576,939**	**41,480,912**	**(291,019)**	**8,282,960**	**141,049,792**	**4,456,240**	**145,506,032**
Revaluation of land and buildings		–	4,833,769	–	(4,833,769)	–	–	–
(Deferred) tax effects from revaluation	–	–	–	–	918,416	918,416	–	918,416
Changes in the scope of consolidation	–	–	–	–	(19,230)	(19,230)	–	(19,230)
Other changes in minority interests			–	–	–	–	165	165
Capital increase	3,599,999	4,499,999	–	–	–	8,099,998	–	8,099,998
Capital procurement costs		(599,904)	–	–	–	(599,904)	–	(599,904)
(Deferred) taxes related to capital procurement costs		149,976	–	–	–	149,976	–	149,976
Purchase of treasury shares	–	–	–	(10,368)	–	(10,368)	–	(10,368)
Profit for the period	–	–	(86,519,399)	–	–	(86,519,399)	(6,147,847)	(92,667,246)
Other income/expense	–	–	–	–	(967,575)	(967,575)	(257,659)	(1,225,234)
Total income and expenses for the period	–	–	(86,519,399)	–	(967,575)	(87,486,974)	(6,405,506)	(93,892,480)
At 31 December 2009/ 1 January 2010	**39,599,999**	**59,627,010**	**(40,204,718)**	**(301,387)**	**3,380,802**	**62,101,706**	**(1,949,101)**	**60,152,605**
Changes in the scope of consolidation	–	–	–	–	(45,273)	(45,273)	(77,389)	(122,662)
Other changes in minority interests			–	–	–	–	68,540	68,540
Capital increase	14,400,001	14,400,001	–	–	–	28,800,002	–	28,800,002
Capital procurement costs		(4,140,512)	–	–	–	(4,140,512)	–	(4,140,512)
(Deferred) taxes related to capital procurement costs		1,035,128	–	–	–	1,035,128	–	1,035,128
Profit for the period	–	–	5,254,294	–	–	5,254,294	(1,506,885)	3,747,409
Other income/expense	–	–	–	–	(705,550)	(705,550)	(484,655)	(1,190,206)
Total income and expenses for the period	–	–	5,254,294	–	(705,550)	4,548,744	(1,919,540)	2,557,204
At 31 December 2010	**54,000,000**	**70,921,626**	**(34,950,423)**	**(301,387)**	**2,629,979**	**92,299,795**	**(3,949,490)**	**88,350,305**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the financial year from 1 January to 31 December 2010

[01] Corporate information

Warimpex Finanz- und Beteiligungs AG (the Company) 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 2010 were authorized for release to the Supervisory Board by the Management Board on 25 March 2011. 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 group management 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 on a historical cost basis; excepted from this rule are derivative financial investments, which are stated at fair value. The consolidated financial statements are based on the going concern principle. 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 refer to 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.

Local financial statements 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 For the most part, accounting policies remain unchanged from the previous financial year; property sales in the period were reported under the item 'Property sales' instead of under 'Other income' as for the prior year. As the structuring of a property sale should not have an effect on the manner in which it is disclosed in the statement of comprehensive income, income from the sale of properties (as asset deals) is now reported in a single item together with the income from property sales by way of share deals. The figures on the statement of comprehensive income for the previous year were also adjusted in the amount of EUR 1,622,323 (gains EUR 27,937,562; carrying amounts EUR 26,315,239). This change is intended to make the depiction in the financial statements more relevant and clearer for the reader.

IFRS 2 Share-based Payment
IFRS 3 Business Combinations (revised)
IAS 17 Leases
IAS 34 Interim Financial Reporting
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Standards and interpretations not yet effective

The following standards that have already been endorsed by the EU and that have not been applied earlier than prescribed are not expected to have any effect on the recognition and measurement principles or on the presentation of the Group's assets, financial position and earnings situation:

- IAS 32 Classification of Subscription Rights

2.02.b In September 2007, the IASB published Exposure Draft 9 (ED9 Joint Arrangements), which introduced new rules for the recognition of joint ventures. For the consolidated financial statements of the Warimpex Group, these new rules would require the retrospective application of the equity method of consolidation instead of the proportionate method for all joint ventures.

At the time that these financial statements were prepared, it was assumed that these new rules will be published in the first quarter of 2011 and will be mandatory from 1 January 2012 onward. All shares in joint ventures are valued according to the equity method and reported under a separate item; loans extended to joint ventures are recognized under the item 'Other financial assets'. The effects on the opening balance sheet for 2011 and for the 2010 consolidated financial statements would be as follows:

ASSETS	31/12/2010	*unaudited* ± Restatement	*unaudited* 1/1/2011
Non-current assets			
Property, plant, equipment and investment properties	516,949,465	(224,150,469)	292,798,997
Intangible assets	1,157,318	59,815	1,217,133
Shares in joint ventures	–	732,734[1)]	732,734
Other financial assets	62,552,132	46,169,641[2)]	108,721,773
Deferred tax assets	1,578,047	(1,272,131)	305,916
	582,236,961	(178,460,409)	403,776,552
Current assets			
Inventories, securities and current receivables	13,960,461	(4,393,552)	9,566,909
Cash and short-term deposits	10,793,875	(3,501,829)	7,292,046
TOTAL ASSETS	**606,991,297**	**(186,355,790)**	**420,635,507**

EQUITY AND LIABILITIES			
Attributable to equity holders of the parent	92,299,794	8,428,012	100,727,806
Minority interests	(3,949,489)	(6,326)	(3,955,815)
	88,350,305	8,421,687	96,021,321
Non-current liabilities			
Interest-bearing loans and borrowings	392,804,699	(177,055,749)	215,748,950
Provisions and other liabilities	12,954,760	(1,026,502)	11,928,257
Deferred tax liabilities	14,017,512	(1,166,523)	12,850,989
	417,776,971	(179,248,775)	240,528,196
Current liabilities			
Interest-bearing loans and borrowings	81,154,377	(9,586,373)	71,568,004
Provisions and other liabilities	17,709,645	(5,942,329)	11,767,316
	98,864,022	(15,528,701)	83,335,320
TOTAL EQUITY AND LIABILITIES	**606,991,298**	**(186,355,790)**	**420,635,508**

If the joint ventures had been recognized in the 2010 financial statements using the equity method instead of the proportionate method of consolidation, the statements would be as follows:

	31/12/2010	*unaudited* ± Restatement	*unaudited* 1/1/2011
Revenues			
Hotels & Resorts segment	96,364,418	(43,414,557)	52,949,861
Development & Asset Management segment	6,799,256	(1,359,819)	5,439,437
	103,163,674	**(44,774,376)**	**58,389,298**
Gains from the sale of disposal groups	8,756,375	–	8,756,375
Changes in real estate projects under development	(1,314,444)	–	(1,314,444)
Other income	153,878	(148,141)	5,737
Expenses for materials and services rendered	(48,567,995)	22,010,786	(26,557,209)
Expenses for project development	(150,622)	46,003	(104,618)
Personnel expenses	(29,430,933)	10,802,695	(18,628,238)
Depreciation and amortization on property, plant and equipment and intangible assets	1,640,905	91,438	1,732,343
Other expenses	(9,867,048)	2,252,629	(7,614,419)
Operating profit	**24,383,790**	**(9,718,965)**	**14,664,825**
Financial revenue	3,314,513	2,323,925[3)]	5,638,438
Finance costs	(25,306,681)	5,913,349	(19,393,332)
Result from associated companies	–	(525,938[)4)]	(525,938)
Profit before tax	**2,391,622**	**(2,007,629)**	**(383.993)**
Income tax paid	(270,693)	23,735	(246,958)
Deferred taxes	1,626,480	(377,244)	1,249,236
Profit for the period	**3,747,409**	**(2,361,137)**[5)]	**1,386,271**
Attributable to:			
- Equity holders of the parent	5,254,294	(2,361,137)	2,893,157
- Minority interests	(1,506,885)	–	(1,506,885)
	3,747,409	(2,361,137)	1,386,271

1) The increase is due to the reclassification of the nominal interests in the joint ventures, less retained losses (up to the amount of the nominal interests) and plus retained profits of the joint ventures.

2) The increase is due to the proportionate elimination of loans extended to joint ventures as required by the proportionate consolidation method.

3) The increase is due to the proportionate elimination of interest received from loans extended to joint ventures as required by the proportionate consolidation method.

4) The result from associated companies corresponds to the allocated losses of all joint ventures, provided that they are covered by the nominal value of the interests in the joint ventures.

5) The profit realized by the Warimpex Group in 2010 would have been EUR 2,361,137 lower if the joint ventures had been recognized in the consolidated financial statements using the equity method instead of the proportionate method of consolidation.

2.03. Basis of consolidation

The consolidated financial statements comprise the financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries as of 31 December each year. 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 to Note 2.05.

A minority interests 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 income statement 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.

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 external valuations. 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 22,753,521 were reversed during the reporting period. See also Note 7.04.

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 projected cash flows are based on the approved budgets of the hotels (in the Hotels & Resorts segment) and the projected future cash flows after the completion of projects, less any construction costs that will still be incurred (in the Development & Asset Management segment).

The discounted cash flow (DCF) approach was used to calculate the fair values of the properties. These valuations are based on the projected cash flows as taken from the approved budgets of the hotels (in the Hotels & Resorts segment) and the projected future cash flows after the completion of projects, less any construction costs that will still be incurred.

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 6.5% and 9.5% (2009: 6.5% to 9.5%), for the Czech Republic between 7.5% and 9% (2009: 7.0% to 9.0%) and for Russia between 11.5% and 12% (2009: 11% to 12%).

The planning period is five years plus the terminal value (residual value in year five). The valuation includes an inflation rate of 2%.

A 0.5% lower yield would increase the reversal of impairment charges by EUR 3.1 million, while a 0.5% higher yield would increase the impairment charges by EUR 4.4 million.

The international financial and economic crisis has had an especially detrimental impact on the tourism sector. This caused a reduction in occupancy rates and the average room rate, and therefore has a direct effect on the projected future cash flows.

If the expected cash flows were 10% higher [or lower], the impairment charges would fall [rise] by EUR 15.3 million [EUR 24.1 million] (2009: EUR 20.9 million [EUR 28.5 million]).
Please see Notes 10 and 11 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.

At 31 December 2010, the value of all deferred tax assets amounted to EUR 42,085,289 (2009: EUR 39,130,796). Less value adjustments on deferred tax assets of EUR 24,020,892 (2009: EUR 23,331,991) and after balancing with the deferred tax liabilities of EUR 16,486,350 (2009: EUR 14,686,453), the Company reported a balance of EUR 1,578,047 (2009: EUR 1,112,352). See Note 8.

Summary of significant accounting policies

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 interest in a joint venture using proportionate consolidation.

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 proportionate consolidation method until the joint management of the venture by the Group ceases.

Please refer to Note 2.02b with regard to the expected amendment of the regulations governing joint venture accounting in accordance with ED9.

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 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 income statement 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 uncollectible 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 income statement 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

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

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 income statement 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 income statement.

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 income statement 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 2.7 million for up to one year (2009: 2.8 million), EUR 3.1 million for one to three years (2009: 2.6 million), EUR 1.3 million for three to five years (2009: 1.0 million) and EUR 0.0 million for greater than five years (2009: 0.0 million).

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 in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, 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 income statement. 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.

Other derivative financial instruments

A back stock option was concluded in the reporting period as part of the capital increase. This agreement is share-based remuneration as defined by IFRS 2 with the option of cash settlement or settlement in equity instruments, whereby the counterparty has the right to choose the form of settlement. The fair value of the equity component of the compound financial instrument is zero. The fair value of the debt component is calculated on every balance sheet date. A standard method pursuant to IFRS 2 is used to calculate the value (Monte Carlo simulation).

See Note 26.4.

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. 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. The functional currency of each reporting entity within the Group 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 income statement.

The exchange rates at 31 December 2010, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31/12/2010	(prev. year)
Polish zloty	(PLN/EURO)	3.9603	4.1082
Czech koruna	(CZK/EURO)	25.060	26.465
Hungarian forint	(HUF/EURO)	278.75	270.84
Swiss franc	(CHF/EURO)	1.2504	1.4836
US dollar	(USD/EURO)	1.3362	1.4406
Russian rouble	(RUB/EURO)	40.3331	43.3883
Romanian leu	(RON/EURO)	4.2848	4.2282

2.08. 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 10.

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 income statement in the period in which the asset is derecognized.

2.09. 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.

2.10. 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 interests 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 aquired entity. Costs incurred in connection with the business combination are recognized on the income statement.

When the Group aquires 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 aquiring company is remeasured at its fair value at the time of the transaction and the resulting gain or loss recognized on the income statement.

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 through profit or loss 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 through profit or loss.

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.

2.11. 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 clientele, 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).

2.12. Shares in associated companies

Shares in associated companies are recognized using the equity method of accounting. An associated company is a company in which the Group holds a controlling interest and which is neither a subsidiary nor a joint venture.

In accordance with the equity method of accounting, the shares in associated companies are recognized in the balance sheet at cost plus any changes in the share of net assets of the associated company held by the Group. The goodwill associated with an associated company 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 on the income statement.

Changes shown directly in equity of the associated company 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 associated company are eliminated in line with the Group's share in the associated company.

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 associated company 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 associated companies. At every reporting date, the Group determines whether or not there are objective reasons to believe that the value of an interest in an associated company may be lower than its carrying amount. If this is the case, the difference between the recoverable amount of the share in the associated company and the carrying amount of the interest is recognized as an impairment charge on the income statement.

The changes in the values of associated companies are presented in Note 14.

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 financial assets contain loans given to joint ventures. They are contrasted with loans received from joint ventures. Both instruments carry the same maturity and interest rate conditions. They are stated at amortized cost.

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 income statement 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 2.125% (previous year: 2.125%) for severance payments, jubilee benefits and pensions. The calculations are based on a discount rate of 5.125% (previous year: 5.125%). A fluctuation discount of 0% (previous year: 0%) was applied. The provision is valued in accordance with the actuarial tables AVÖ für Angestellte.

Actuarial profits and losses are recognized in profit and loss 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 1,852,982 (2008: EUR 1,475,012) and reported under (non-current) 'Other financial assets'.

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.
- 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.
- Interest income is recognized as interest accrues.
- Dividend income is recognized when the Group's right to receive the payment is established.

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 in force as of 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 Uniform 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 as of the balance sheet date.

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

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 income statement. Differences between the carrying amount and the consideration are recognized in the capital reserves.

[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 direct	Shareholding indirect	1) Consolidation method 2010	1) Consolidation method 2009	Capital stock	Currency	2) Segment	3) Av. staff	Functional currency 2010	Functional currency 2009
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[7]	A-Vienna	–	9.88%	–	EC	35,000	EUR	D&A	–	EUR	EUR
Leuchtenbergring HotelbetriebsgesmbH	D-Munich	–	50%	PC	PC	25,000	EUR	H&R	16	EUR	EUR
Recoop Tour a.s.	CZ-Prague	–	100%	FC	FC	24,000,000	CZK	H&R	119	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	–	49.50%	PC	PC	100,000	EUR	H&R	–	EUR	EUR
- GmbH & Co. KG	D-Munich	–	49.50%	PC	PC	60,000	EUR	H&R	1	EUR	EUR
- Verwaltungs GmbH	D-Munich	–	49.50%	PC	PC	25,565	EUR	H&R	–	EUR	EUR
UBX 1 Objekt Berlin Ges.m.b.H	D-Munich	50%	–	PC	PC	25,000	EUR	H&R	93	EUR	EUR
UBX 2 Objekt Berlin Ges.m.b.H	D-Munich	50%	–	PC	PC	25,000	EUR	H&R	–	EUR	EUR
UBX 3 Objekt Berlin Ges.m.b.H.	D-Munich	50%	–	PC	PC	25,000	EUR	H&R	–	EUR	EUR
Revital z.R.t.	HU-Budapest	100%	–	FC	FC	220,500,000	HUF	D&A	12	HUF	HUF
Becsinvestor kft	HU-Budapest	–	100%	FC	FC	35,380,000	HUF	D&A	–	EUR	EUR
Goldmark kft	HU-Budapest	–	100%	FC	FC	34,100,000	HUF	D&A	–	HUF	HUF
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
WX Hotel B1 kft	HU-Budapest	100%	–	FC	FC	3,000,000	HUF	H&R	–	EUR	EUR
Warimpex Leasing GmbH	A-Vienna	100%	–	FC	FC	500,000	EUR	H&R	–	EUR	EUR
Amber Baltic Sp.z.o.o.	PL-Miedzyzdroje	–	100%	FC	FC	38,325,000	PLN	H&R	117	EUR	EUR
Golf Amber Baltic Sp.z.o.o.	PL-Miedzyzdroje	–	100%	FC	FC	2,500,000	PLN	H&R	18	EUR	EUR
Hansa Sp.z.o.o.	PL-Miedzyzdroje	–	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	41	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	112	EUR	EUR
KHD s.r.o.[5]	CZ-Prague	–	–	FC	FC	2,000,000	CZK	H&R	–	EUR	EUR
MEP s.r.o.	CZ-Prague	100%	–	FC	FC	82,800,000	CZK	H&R	1	EUR	EUR
MEP s.r.o. (vormals Balnex I a.s.) Kommanditgesellschaft	PL-Miedzyzdroje	–	100%	FC	FC	2,842,840	PLN	H&R	–	EUR	EUR
Hotel Palace Praha s.r.o.	CZ-Prague	100%	–	FC	FC	147,000,000	CZK	H&R	65	EUR	EUR

1) FC = full consolidation, PC = proportionate consolidation, EC = equity method of consolidation
2) Primary segment: D&A: Development & Asset Management; H&R: Hotels & Resorts (see Segment report Note 6).
3) 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.
4) Companies that were sold during the reporting period were included in the consolidated financial statements for the periods in which they were still owned by the Group.
5) These companies are still being consolidated despite their sale because the Group still holds the majority of the risks and rewards of ownership.
6) Full House kft was merged into Louvre Warimpex Property HU2 kft in the reporting period.
7) The companies are reported under 'Financial instruments available for sale' in the financial year. See the additional information in Note 14.

Consolidated entities	Domicile	Shareholding direct	Shareholding indirect	[1] Consolidation method 2010	Consolidation method 2009	Capital stock	Currency	[2] Segment	[3] Av. staff	Functional currency 2010	Functional currency 2009
Le Palais Praha s.r.o.	CZ-Prague	100%	–	FC	FC	155,801,500	CZK	H&R	49	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%	–	PC	PC	200,000	CZK	H&R	–	EUR	EUR
UBX Plzen s.r.o.	CZ-Prague	50%	–	PC	PC	200,000	CZK	H&R	19	EUR	EUR
Hotelinvestments s.a.r.l.	LU-Luxembourg	50%	–	PC	PC	20,000	EUR	D&A	–	EUR	EUR
UBX Development (France) s.a.r.l.	F-Paris	50%	–	PC	PC	50,000	EUR	D&A	–	EUR	EUR
UBX II (France) s.a.r.l.	F-Paris	–	50%	PC	PC	50,000	EUR	H&R	57	EUR	EUR
Hotel Paris II s.a.r.l.	F-Paris	50%	–	PC	PC	650,000	EUR	H&R	41	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
Thermo Energia Sp.z.o.o.[4]	PL-Warsaw		sold	FC	FC	1,340,000	PLN	D&A	–	PLN	PLN
Multidevelopment Sp.z.o.o.	PL-Warsaw	100%	–	FC	FC	50,000	PLN	D&A	7	PLN	PLN
Chopin Sp.z.o.o.	PL-Krakow	100%	–	FC	FC	11,207,000	PLN	H&R	69	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	165	EUR	EUR
Goulds Investments S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
Sienna Hotel Sp.z.o.o.	PL-Warsaw	33.33%	16.67%	PC	PC	81,930,000	PLN	H&R	122	EUR	EUR
RLX Dvořák s.a.r.l.[5]	LU-Luxembourg	–	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
WX Rondo One Holding s.a.r.l.	LU-Luxembourg	70%	–	FC	FC	400,000	EUR	D&A	–	EUR	EUR
Roundabout s.a.r.l.[7]	LU-Luxembourg	–	15%	–	EC	55,000	EUR	D&A	–	EUR	EUR
Roundabout Sp. z o.o.[7]	PL-Warsaw	–	10%	–	EC	50,000	PLN	D&A	–	PLN	PLN
WX Krakow Holding S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	H&R	–	EUR	EUR
Prozna Properties Sp.z.o.o.[4]	PL-Warsaw	–	sold	FC	FC	3,650,000	PLN	H&R	1	EUR	EUR
UBX Krakow Sp.z.o.o.	PL-Warsaw	–	100%	FC	FC	50,000	PLN	H&R	96	EUR	EUR
Prozna Development Sp. z o.o. (formerly angelo Bydgoszcz Sp. z o.o.)	PL-Warsaw	–	100%	FC	FC	50,000	PLN	H&R	–	EUR	EUR
WX Bialystok Holding S.A.	LU-Luxembourg	100%	–	FC	FC	31,000	EUR	D&A	–	EUR	EUR
Kopernik Development Sp.z.o.o.	PL-Warsaw	–	100%	FC	FC	25,000	PLN	D&A	–	PLN	PLN
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%	PC	PC	138,800	PLN	D&A	1	EUR	EUR
Europa Hawk s.a.r.l.	LU-Luxembourg	25%	–	PC	PC	650,000	EUR	H&R	–	EUR	EUR
Melica Sp.z.o.o.	PL-Warsaw	–	25%	PC	PC	13,989,000	PLN	H&R	–	EUR	EUR
Hotel Jan III Sobieski Sp.z.o.o.	PL-Warsaw	–	25%	PC	PC	19,125,180	PLN	H&R	61	EUR	EUR
UBX Katowice Sp.z.o.o.	PL-Warsaw	50%	–	PC	PC	50,000	PLN	H&R	35	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-Ekaterinenburg	–	60%	FC	FC	157,600,000	RUB	H&R	6	RUB	RUB
OOO RusAvia Horeka	RU-Ekaterinenburg	–	60%	FC	FC	1,000,000	RUB	H&R	119	RUB	RUB
OAO Avielen AG	RU-St. Petersburg	50%	–	PC	PC	370,000,500	RUB	H&R	4	EUR	EUR

Consolidated entities	Domicile	Shareholding direct	Shareholding indirect	1) Consolidation method 2010	1) Consolidation method 2009	Capital stock	Cur-rency	2) Seg-ment	3) Av. staff	Functional currency 2010	Functional currency 2009
Teilkonzern LOUVRE											
WX Budget Hotel Holding S.A.	LU-Luxembourg	100%	–	FC	FC	80,000	EUR	H&R	–	EUR	EUR
SCG Louvre Warimpex Investment Holding s.a.r.l.	LU-Luxembourg	–	50%	PC	PC	1,012,500	EUR	H&R	–	EUR	EUR
Louvre Warimpex Development GesmbH	A-Vienna	–	50%	PC	PC	50,000	EUR	H&R	3	EUR	EUR
Louvre Warimpex Development Sp.z.o.o.	PL-Warsaw	–	50%	PC	PC	200,000	PLN	H&R	2	PLN	PLN
LWIH Property Holding (Poland) Sp z.o.o. Holding Sp.z.o.o.	PL-Warsaw	–	50%	PC	PC	50,000	PLN	H&R	–	PLN	PLN
LWHP3 Poland Sp z.o.o.	PL-Warsaw	–	50%	PC	PC	50,000	PLN	H&R	–	PLN	PLN
LWHP4 Poland Sp z.o.o.	PL-Warsaw	–	50%	PC	PC	50,000	PLN	H&R	–	PLN	PLN
LWHP5 Poland Sp.z.o.o. (formerly Silesia Hotels Sp z.o.o.)	PL-Warsaw	–	50%	PC	PC	647,550	PLN	H&R	–	PLN	PLN
Louvre Warimpex Kft.	HU-Budapest	–	50%	PC	PC	12,600,000	HUF	H&R	–	HUF	HUF
Full House Kft.[6]	HU-Budapest	–	–	–	OK	merged	HUF	H&R	–	–	HUF
Louvre Warimpex Property HU2 kft[6]	HU-Budapest	–	50%	PC	PC	600,000	HUF	H&R	–	HUF	HUF
Louvre Warimpex Property HU3 kft	HU-Budapest	–	50%	PC	PC	500,000	HUF	H&R	–	HUF	HUF
SCG WX Property CZ1 s.r.o.	CZ-Prague	–	50%	PC	–	200,000	CZK	H&R	–	CZK	–

1) FC = full consolidation, PC = proportionate consolidation, EC = equity method of consolidation
2) Primary segment: D&A: Development & Asset Management; H&R: Hotels & Resorts (see Segment report Note 6).
3) 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.
4) Companies that were sold during the reporting period were included in the consolidated financial statements for the periods in which they were still owned by the Group.
5) These companies are still being consolidated despite their sale because the Group still holds the majority of the risks and rewards of ownership.
6) Full House kft was merged into Louvre Warimpex Property HU2 kft in the reporting period.
7) The companies are reported under 'Financial instruments available for sale' in the financial year. See the additional information in Note 14.

[04] Real estate sales and other changes in the scope of consolidation as well as the acquisition of minority interests

4.01. Sale of real estate

At the end of the reporting period, the fully consolidated company Thermoenergia Sp.z.o.o. was sold for PLN 1.5 million and 90% of Prozna Properties Sp.z.o.o. was sold for EUR 7.65 million. Repaid loans were deducted from the purchase price.

The Company also sold 16.69% of its 26.57% stake in the company Palais Hansen Immobilienentwicklung GmbH to a co-investor for EUR 7.205 million. The Company now holds a 9.88% stake in the project.

Two development properties, one in Warsaw and one in Prague, were also sold in the reporting period. All sales had the following effects on the annual financial statements:

	EUR
Property, plant and equipment	(6,407,396)
Shares in associated companies	(7,119,277)
Current receivables	(103,258)
Financial instruments available for sale (remaining 10% of Prozna Properties Sp.z.o.o.)	446,862
Cash and cash equivalents	(60,343)
	(13,243,412)
Other reserves (foreign exchange differences)	45,273
Minority interests	77,389
Third party loans – current	3,012,065
Other current payables	1,444,147
	4,578,874
Carrying amount of the proportionate net assets of the sold shares and properties	(8,664,538)
Agreed (net) purchase price for the shares and properties	20,079,867
Repaid loans	(2,658,953)
Net sale price for the shares	8,756,375

Cash flow

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

• Agreed payments from the sale of shares and properties	20,079,867
• Repaid loans	(2,658,953)
• Net cash of the companies sold	(60,343)
• Less purchase price claims outstanding on the reporting date	(691,672)
	16,668,899

4.02. Sale of shares and other changes in the scope of consolidation in the previous year

In the previous year, the shares in Bocca kft were sold and the stake in OAO Avielen AG was diluted to 50%. These transactions had the following effects on the financial statements for the previous year:

	Real estate sales	*Sale Bocca kft*	*Dilution Avielen AG*	TOTAL
Property, plant and equipment and intangible assets	(26,315,239)	–	(1,211,780)	(27,527,019)
Investment properties	–	(3,992,995)	(2,423,560)	(6,416,555)
Inventories, other current receivables	–	–	(302,630)	(302,630)
Cash and cash equivalents	–	(52,778)	(269,216)	(321,994)
	(26,315,239)	(4,045,773)	(4,207,186)	(34,568,198)
Other reserves (foreign exchange differences)	–	19,230	–	19,230
Third party loans	–	4,079,771	1,210,309	5,290,080
Loans from Warimpex	–	(505,348)	3,023,437	2,518,089
Deferred tax liabilities	–	57,500	(26,559)	30,941
Other current payables	–	82,276	–	82,276
	–	3,733,429	4,207,186	7,940,616
Carrying amount of the proportionate net assets	(26,315,239)	(312,344)	–	(26,627,583)
Agreed (net) purchase price for the shares	27,937,562	6,800,000	–	34,737,562
Directly allocable costs	–	(4,200,000)	–	(4,200,000)
Net sale price for the shares for the business combinations	1,622,323	2,287,656	–	3,909,979

[05] Interests in joint ventures

The pro-rata values for joint ventures included in the consolidated financial statements under proportionate consolidation are as follows:

	At 1/1/2010	Results for reporting period	At 31/12/2010
Property, plant and equipment and intangible assets	–	(1,211,780)	(1,211,780)
Non-current assets	208,100,814	17,261,971	225,362,784
Current assets	5,961,062	(1,567,510)	4,393,552
Cash and cash equivalents	4,553,197	(1,051,368)	3,501,829
	218,615,073	14,643,092	233,258,165
Equity	(25,398,112)	17,709,160	(7,688,952)
Loans from Warimpex*)	48,515,632	(2,345,990)	46,169,641
Non-current liabilities	186,938,101	(7,689,326)	179,248,775
Current liabilities	8,559,453	6,969,249	15,.528,701
	218,615,073	14,643,092	233,258,165

	2009	2010
Revenues	34,559,976	44,774,376
Operating result	(14,157,743)	9,718,965
Financial result	(8,567,909)	(8,237,275)
Profit/loss before tax	(22,725,652)	1,481,690
Profit/loss after tax	(22,136,127)	1,835,199

*) Relates to joint venture liabilities to Warimpex AG eliminated on a pro-rata basis under proportionate consolidation.

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

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)
Sienna Sp.z.o.o.	Owns and operates the Intercont hotel in Warsaw
UBX 1 Objekt Berlin Ges.m.b.H	Owns 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)
Bürohaus Leuchtenbergring	
- GmbH & Co Besitz KG	(limited partner for GmbH & Co KG)
- VerwaltungsGmbH	(general partner for GmbH & Co KG)
- GmbH & Co KG	(owns the angelo hotel Munich, working on the expansion of the project)
Leuchtenbergring HotelbetriebsgesmbH	Leaseholder of angelo hotel Munich
UBX Katowice Sp.z.o.o.	Owns and operates the angelo hotel Katowice
Europa Hawk s.a.r.l.	(holding company for holding company for Melica Sp.z.o.o. and Hotel Jan III Sobieski Sp.z.o.o.)
Melica Sp.z.o.o.	(owns the Sobieski property, rents the office spaces)
Hotel Jan III Sobieski Sp.z.o.o.	Leasholder for Sobieski hotel
UBX Plzen s.r.o.	Owns and operates the angelo hotel Plzeň
UBX 3 s.r.o.	(hotel project development in the Czech Republic)
GF Ramba Sp.z.o.o.	Owns and operates the Parkur Tower office building
OAO Avielen AG	(hotel project development for Airport City St. Petersburg)
Louvre subgroup	(project development for budget hotel chain)

[06] Segment information

The Warimpex Group's operations are divided into two business segments: Hotels & Resorts and Development & Asset Management. The business activity and operating region of each company is 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 years ended 31 December 2010 and 2009.

Business segments – overview

	Hotels & Resorts		Development & Asset Management		Group	
	2010	2009	**2010**	2009	**2010**	2009
External sales	96,364,418	79,607,960	6,799,256	5,649,884	103,163,674	85,257,844
Inter-segment sales	1,853,341	(2,893,279)	(1,853,341)	2,893,279	–	–
Segment results	15,869,772	(61,632,481)	8,514,018	(10,139,952)	24,383,790	(71,772,433)
Investments in property, plant and equipment	11,213,317	83,425,771	10,556,175	14,692,650	21,769,492	98,118,421
Investments in financial assets	–	–	8,063,280	30,746,276	8,063,280	30,746,276
Business combinations and other changes in the scope of consolidation	–	(1,211,780)	(4,706,587)	(6,416,555)	(4,706,587)	(7,628,335)
	11,213,317	82,213,992	13,912,867	39,022,371	25,126,184	121,236,362
Scheduled write-downs	(19,030,786)	(15,824,086)	(971,050)	(1,480,790)	(20,001,836)	(17,304,877)
Impairments	(521,314)	(58,720,847)	(409,466)	(2,370,407)	(930,780)	(61,091,254)
(thereof for other intangible assets)	–	(3,008,178)	–	–	–	(3,008,178)
Write-ups	19,751,812	–	2,821,709	–	22,753,521	–
Net cash flows from operating activities	18,546,126	12,349,628	(1,559,363)	(1,198,165)	16,986,763	11,151,463
Segment assets	467,758,577	472,407,129	139,232,721	138,465,711	606,991,297	610,872,840
Segment liabilities (gross)	(464,156,725)	(480,473,024)	(54,484,268)	(70,247,211)	(518,640,993)	(550,720,235)
Intragroup financing	62,052,923	54,271,681	(62,052,922)	(54,271,681)	0	0
Segment liabilities (net)	(402,103,803)	(426,201,343)	(116,537,190)	(124,518,892)	(518,640,993)	(550,720,235)
Average payroll	1,531	1,381	74	85	1,605	1,466

6.01. 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. The Group determines whether a hotel project is already under construction or still in the design phase on the basis of whether a building permit has been obtained.

Hotels in operation are further classified into the sub-segments Luxury (Palace Hotel, Le Palais, Savoy and InterContinental Warsaw) and Upmarket (Diplomat Hotel, Dvorak, angelo Prague, Dreamcastle Paris, Magic Circus Paris, Airporthotel Bucharest, andel's Krakow, Amber Baltic, Sobieski Hotel, angelo Munich, angelo Plzeň, andel's Berlin, andel's Łódź and angelo Ekaterinburg; the angelo Katowice opened in the reporting period). 'Others' consists of Chopin Hotel in Krakow, Liner Hotel in Ekaterinburg and the golf course in Miedzyzdroje, Poland.

Hotels 'under construction' consists of the Airport City St.Petersburg project; hotels 'in design phase' consists of the projects being completed by the Louvre subgroup and the andel's hotel Munich.

Segment results Hotels & Resorts

The segment Hotels & Resorts is analyzed according to the cost of sales method for purposes of internal group reporting. The GOP (gross operating profit, computed according to the Uniform System of Accounts for the Lodging Industry) 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% of sales revenues and 8% 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.

Analysis of segment results

	Luxury		Upmarket		Others	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
Revenues	16,543,410	15,380,005	73,862,631	58,210,868	5,828,615	5,892,111
Expenses for materials	(7,912,476)	(7,408,300)	(31,320,973)	(24,399,404)	(1,613,561)	(1,888,911)
Personnel expenses	(4,868,210)	(4,929,799)	(18,070,183)	(15,737,205)	(1,461,574)	(1,483,065)
Gross operating profit	**3,762,723**	**3,041,906**	**24,471,475**	**18,074,259**	**2,753,479**	**2,520,135**
Hotel employees	*263*	*308*	*1,092*	*907*	*141*	*134*
Total rooms	*661*	*661*	*3,986*	*3,572*	*370*	*370*
Joint venture share	*(202)*	*(202)*	*(1,229)*	*(1,038)*	–	–
Total rooms Group	*459*	*459*	*2,757*	*2,535*	*370*	*370*
Thereof rooms available						
Total	658	660	3,941	3,498	359	311
Joint venture share	(202)	(202)	(1,216)	(1,082)	–	–
Time allocation	–	–	(21)	(96)	–	–
Rooms available Group	**456**	**458**	**2,704**	**2,320**	**359**	**311**
Rooms sold	300	265	1,503	1,289	275	207
Average room occupancy	**66%**	**58%**	**56%**	**56%**	**77%**	**67%**
Management fee	(598,182)	(628,130)	(4,141,058)	(3,281,618)	(409,864)	(414,992)
Lease/rent	–	–	(2,278,004)	(920,631)	(123,042)	(108,180)
Exchange adjustments	(39,650)	155,123	742,317	346,653	(553,162)	(100,922)
Property costs	(446,565)	(332,013)	(1,166,631)	(1,148,615)	(129,428)	(150,916)
Net operating profit	**2,678,327**	**2,236,886**	**17,628,100**	**13,070,049**	**1,537,982**	**1,745,125**
Other costs after GOP	(1,414)	1,348	40,194	3,184	90,983	120,444
Other costs after GOP	(351,227)	(310,909)	(5,133,492)	(2,143,333)	(188,322)	(113,012)
Pre-opening costs	–	–	(233,833)	(686,430)	–	–
Depreciation	(3,786,012)	(3,769,248)	(12,624,033)	(10,419,580)	(2,620,770)	(1,629,694)
Impairments	–	(5,925,377)	(311,640)	(36,410,781)	(209,674)	(13,893,772)
Write-ups	1,054,083	–	16,726,927	–	1,970,802	–
Contribution to operating profit	**(406,243)**	**(7,767,299)**	**16,092,222**	**(36,586,891)**	**581,002**	**(13,770,908)**

	Luxury		Upmarket		Others	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
thereof in						
• Czech Republic	7,271,180	7,219,287	21,125,051	20,374,916	–	–
• Germany	–	–	12,364,048	7,716,084	–	–
• Poland	9,272,230	8,160,718	19,360,206	13,434,698	3,695,782	3,753,843
• France	–	–	16,517,673	14,330,933	–	–
• Romania	–	–	2,214,390	2,168,313	–	–
• Russia	–	–	2,281,263	185,923	2,132,833	2,138,268
	16,543,410	15,380,005	73,862,631	58,210,868	5,828,615	5,892,111
thereof GOP in						
• Czech Republic	363,665	81,033	7,134,199	7,241,960	–	–
• Germany	–	–	3,681,219	1,395,825	–	–
• Poland	3,399,059	2,960,874	7,611,353	5,232,940	1,679,461	1,643,236
• France	–	–	5,162,807	3,609,728	–	–
• Romania	–	–	521,536	378,255	–	–
• Russia	–	–	360,361	215,551	1,074,019	876,899
	3,762,723	3,041,906	24,471,475	18,074,259	2,753,479	2,520,135
thereof operating result in						
• Czech Republic	(1,119,149)	(8,120,763)	3,674,887	(11,468,192)	–	–
• Germany	–	–	4,286,538	(5,669,494)	–	–
• Poland	712,906	353,463	6,492,970	(9,867,825)	252,745	420,464
• France	–	–	1,492,155	(969,846)	–	–
• Romania	–	–	645,747	(4,851,757)	–	–
• Russia	–	–	(500,074)	(3,759,777)	328,256	(14,191,373)
	(406,243)	(7,767,299)	16,092,222	(36,586,891)	581,002	(13,770,908)
Contribution to operating profit from hotels in operation					**16,266,982**	**(58,125,098)**
Less expenses for						
Project development expenses for hotels under construction					(1,306)	(2,635,396)
(thereof impairments, pertains in the previous year to the angelo hotel Katowice under construction)					–	(2,490,918)
(thereof write-ups)					–	–
Project development expenses for hotels in design phase					(395,904)	(871,986)
(thereof impairments)					–	–
(thereof depreciation)					28	(5,565)
Segment contribution to operating profit					**15,869,772**	**(61,632,481)**

Segment cash flow Hotels & Resorts

	Luxury		Upmarket		Others	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
Cash receipts	16,452,850	15,461,832	74,223,706	57,197,007	6,184,700	5,633,996
Interest received	24,399	17,452	25,379	697,575	–	105,433
Expenses for materials	(8,488,671)	(7,958,940)	(35,253,273)	(24,868,422)	(2,036,192)	(2,579,019)
Personnel expenses	(5,065,904)	(5,183,662)	(18,488,660)	(16,756,489)	(1,629,732)	(1,593,007)
Cash paid for other expenses	(470,467)	(584,782)	(5,506,700)	(4,329,225)	(811,099)	(311,091)
Income tax paid	–	–	(172,999)	(1,574,217)	61,657	–
	2,452,207	**1,751,899**	**14,827,451**	**10,366,229**	**1,769,334**	**1,256,311**
thereof in						
• Czech Republic	(468,769)	(602,824)	4,660,740	3,882,523	–	–
• Germany	–	–	2,555,044	1,551,370	–	–
• Poland	2,920,975	2,354,723	3,798,708	3,676,698	1,038,482	1,067,949
• France	–	–	3,447,900	1,313,526	–	–
• Romania	–	–	521,064	(90,658)	–	–
• Russia	–	–	(156,004)	32,769	730,853	188,362
	2,452,207	1,751,899	14,827,451	10,366,229	1,769,334	1,256,311
Total for hotels in operation					**19,048,992**	**13,374,439**
Less cash payments made for						
Project development expenses for hotels under construction					(10,268)	(413,362)
Project development expenses for hotels in design phase					(492,598)	(611,449)
Segment cash flow from operating activities					**18,546,126**	**12,349,628**

Segment assets Hotels & Resorts

a) Hotels in operation

At 31 December	Luxury 2010	Luxury 2009	Upmarket 2010	Upmarket 2009	Others 2010	Others 2009
Property	78,594,070	79,526,977	318,522,321	281,043,269	27,005,774	51,448,949
Other non-current	(45,668)	2,082	1,179,940	730,569	9,161	8,713
Other current	1,349,807	1,494,533	6,611,296	13,685,668	750,042	638,640
Cash and cash equivalents	1,032,916	1,340,796	4,459,168	6,144,488	375,628	449,691
Total assets	**80,931,125**	**82,364,388**	**330,772,725**	**301,603,994**	**28,140,606**	**52,545,993**
Bank loans	(54,064,248)	(56,664,974)	(275,625,477)	(273,690,624)	(11,239,494)	(11,388,959)
Other non-current	–	–	(9,043,953)	(754,405)	–	–
Other current	(1,268,448)	(1,250,751)	(9,935,795)	(30,052,726)	(1,142,422)	(660,525)
External liabilities	**(55,332,697)**	**(57,915,724)**	**(294,605,225)**	**(304,497,754)**	**(12,381,916)**	**(12,049,484)**
1) Deferred taxes	–	–	(8,169,589)	(6,346,642)	(1,172,214)	(3,334,309)
2) Loans from joint ventures	(10,350,922)	(10,542,134)	(6,640,333)	(13,942,350)	–	–
Total liabilities	**(65,683,619)**	**(68,457,858)**	**(309,415,146)**	**(324,786,746)**	**(13,554,130)**	**(15,383,792)**

b) Hotels under development

At 31 December	Under construction 2010	Under construction 2009	In design phase 2010	In design phase 2009	TOTAL 2010	TOTAL 2009
Property	14,787,728	21,150,009	12,906,888	11,949,428	451,816,782	445,118,632
Other non-current	24,098	265,201	52,719	52,719	1,220,249	1,059,285
Other current	6,657	808,132	47,022	13,762	8,764,826	16,640,734
Cash and cash equivalents	(256,049)	992,656	345,056	660,846	5,956,720	9,588,477
Total assets	**14,562,435**	**23,215,998**	**13,351,685**	**12,676,755**	**467,758,577**	**472,407,129**
Bank loans	(1,608,392)	(7,492,402)	(1,596,794)	–	(344,134,406)	(349,236,959)
Other non-current	–	–	(3,251)	(3,096)	(9,047,204)	(757,500)
Other current	(955,187)	(1,758,548)	(190,836)	(251,723)	(13,492,688)	(33,974,272)
External liabilities	**(2,563,580)**	**(9,250,950)**	**(1,790,880)**	**(254,819)**	**(366,674,298)**	**(383,968,731)**
1) Deferred taxes	51,698	30,752	(314,462)	(312,393)	(9,604,567)	(9,962,592)
2) Loans from joint ventures	(4,819,933)	(4,022,073)	(4,013,751)	(3,763,462)	(25,824,938)	(32,270,019)
Total liabilities	**(7,331,815)**	**(13,242,272)**	**(6,119,093)**	**(4,330,674)**	**(402,103,803)**	**(426,201,343)**

1) Deferred tax liabilities primarily result from the valuation of property, plant and equipment at fair values in a business combination and upon other changes in the scope of consolidation. This leads to higher depreciation in the consolidated financial statements as compared to the depreciation in the separate financial statements of the subsidiary or joint venture and hence to deferred tax income.

2) Loans from joint venture partners are generally attributed to the segment of the relevant joint venture company. Loans made to joint ventures by Warimpex Finanz- und Beteiligungs AG are presented in the segment Development & Asset Management. A reconciliation of loans given to joint ventures and loans received from joint venture partners is contained in Note 21.7.

Analysis of segment property Hotels & Resorts

a) Hotels in operation

For the year	Luxury 2010	Luxury 2009	Upmarket 2010	Upmarket 2009	Others 2010	Others 2009
At 1 January	79,526,977	88,909,252	281,043,269	221,622,753	51,448,949	29,461,186
Changes in scope of consolidation	–	–	–	–	–	–
Additions	734,981	195,923	4,499,346	20,096,824	247,712	24,703,014
Segment transfers	–	19,150	29,737,564	121,098,836	(23,520,008)	151,935
Disposals	1,013,695	45,901	(313)	(27,155,800)	–	–
Depreciation	(3,627,740)	(3,717,873)	(14,044,352)	(10,259,579)	(1,099,644)	(1,629,148)
Impairments	(994,545)	(5,925,377)	(311,640)	(44,367,946)	(209,674)	(703,393)
Write-ups	1,940,702	–	18,481,673	–	396,056	–
Exchange effects	–	–	(883,226)	8,181	(77,617)	(534,646)
At 31 December	78,594,070	79,526,977	318,522,321	281,043,269	27,185,774	51,448,949
thereof in						
• Czech Republic	36,214,195	35,549,479	88,154,464	88,481,467	–	–
• Poland	42,379,876	43,977,498	101,903,550	85,168,022	18,875,774	19,681,682
• Germany	–	–	55,241,437	56,346,468	–	–
• France	–	–	32,906,970	34,351,832	–	–
• Romania	–	–	14,315,901	14,039,799	–	–
• Russia	–	–	26,000,000	2,655,681	8,310,000	31,767,267
At 31 December	78,594,070	79,526,977	318,522,321	281,043,269	27,185,774	51,448,949

b) Hotels under development

For the year	Under construction 2010	Under construction 2009	In design phase 2010	In design phase 2009	TOTAL 2010	TOTAL 2009
At 1 January	21,150,009	109,280,806	11,949,428	12,150,628	445,118,632	461,424,626
Changes in scope of consolidation	–	(1,211,780)	–	–	–	(1,211,780)
Additions	4,375,583	36,146,487	1,352,179	1,980,899	11,209,801	83,123,147
Segment transfers	(10,737,864)	(120,574,586)	2,225,036	(19,150)	(2,295,272)	676,185
Disposals	–	–	(2,714,503)	–	(1,701,121)	(27,109,899)
Depreciation	–	–	28	(5,565)	(18,771,707)	(15,612,164)
Impairments	–	(2,490,918)	–	(2,225,036)	(1,515,859)	(55,712,670)
Write-ups	–	–	–	–	20,638,432	–
Exchange effects	–	–	94,719	67,652	(866,124)	(458,813)
At 31 December	14,787,728	21,150,009	12,906,888	11,949,428	451,816,782	445,118,632
thereof in						
• Czech Republic	–	–	(19,150)	2,409,400	124,349,509	126,440,347
• Poland	704,566	9,602,500	0	272,184	163,863,766	158,701,886
• Germany	–	0	5,331,409	3,106,373	60,572,845	59,452,840
• France	–	–	–	–	32,906,970	34,351,832
• Romania	–	–	–	–	14,315,901	14,039,799
• Russia	14,083,162	11,547,509	–	–	48,213,162	45,970,457
• Louvre subgroup	–	–	7,594,629	6,161,471	7,594,629	6,161,471
At 31 December	14,787,728	21,150,009	12,906,888	11,949,428	451,816,782	445,118,632

Analysis of segment financial liabilities Hotels & Resorts

a) Hotels in operation	Luxury		Upmarket		Others	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
Loans at 1 January	(56,664,974)	(60,188,573)	(273,690,624)	(158,689,949)	(11,388,959)	(12,033,163)
• Changes in the scope of consolidation	–	–	–	–	–	–
• New borrowing	–	–	(2,880,176)	(78,141,852)	(533,835)	–
• Repayment	3,143,510	3,557,292	9,460,823	28,524,271	701,193	650,789
• Capitalized interest	(37,692)	(33,692)	97,346	(398,730)	(17,892)	(6,585)
• Segment transfers	–	–	(7,383,240)	(64,768,619)	–	–
• Exchange effects	(505,093)	–	(1,229,605)	(215,746)	–	–
Loans at 31 December	**(54,064,248)**	**(56,664,974)**	**(275,625,477)**	**(273,690,624)**	**(11,239,494)**	**(11,388,959)**
JV loans at 1 January	(10,542,134)	(10,160,798)	(13,942,350)	(5,009,799)	–	–
• Changes in the scope of consolidation	–	–	–	–	–	–
• Contributions in kind	–	–	7,750,000	–	–	–
• New borrowing	–	(381,336)	(228,180)	(2,854,992)	–	–
• Repayment	505,093	–	–	–	–	–
• Capitalized interest	(313,881)	–	(219,802)	–	–	–
• Segment transfers	–	–	–	(6,077,559)	–	–
• Exchange effects	–	–	–	–	–	–
JV loans at 31 December	(10,350,922)	(10,542,134)	(6,640,333)	(13,942,350)	–	–

b) Hotels under development	Under construction		In design phase		TOTAL	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
Loans at 1 January	(7,492,402)	(67,887,513)	–	–	(349,236,959)	(298,799,198)
• Changes in the scope of consolidation	–	–	–	–	–	–
• New borrowing	(1,608,392)	(4,730,477)	(1,643,102)	–	(6,665,506)	(82,872,329)
• Repayment	–	–	–	–	13,305,526	32,732,351
• Capitalized interest	–	–	46,308	–	88,070	(439,007)
• Segment transfers	7,492,402	65,125,588	–	–	109,162	356,969
• Exchange effects	–	–	–	–	(1,734,698)	(215,746)
Loans at 31 December	**(1,608,392)**	**(7,492,402)**	**(1,596,794)**	**–**	**(344,134,405)**	**(349,236,959)**
JV loans at 1 January	(4,022,073)	(8,713,463)	(3,763,462)	(1,709,015)	(32,270,019)	(25,593,076)
• Changes in the scope of consolidation	–	403,436	–	–	–	403,436
• Contributions in kind	–	–	–	–	7,750,000	–
• New borrowing	(498,772)	(2,085,588)	(128,026)	(1,893,738)	(854,977)	(7,215,654)
• Repayment	–	–	–	–	505,093	–
• Capitalized interest	–	–	(122,263)	(160,709)	(655,946)	(160,709)
• Segment transfers	(299,088)	6,077,559	–	–	(299,088)	–
• Exchange effects	–	295,983	–	–	–	295,983
JV loans at 31 December	(4,819,933)	(4,022,073)	(4,013,751)	(3,763,462)	(25,824,938)	(32,270,019)

Loans from joint venture partners are, in substance, equity instruments and are generally subordinated to interest-bearing bank loans. This position is to be seen in connection with loans given to joint ventures, which are presented in the segment Development & Asset Management. Repayment from the joint venture occurs only to the extent that a repayment is made to the Warimpex Group. Segment transfers refer to reclassification into a different segment, while segment restructuring refers to changes within a single segment.

6.02. Development & Asset Management segment

For purposes of capital employed and used, 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' (Parkur Tower, Munich archive, Dioszegi, Sajka Utca, Elsbet Utca tower B and Sobieski office building) and 'under construction' (Airport City St. Petersburg project and Elsbet Utca tower A)

Segment results Development & Asset Management

	Asset Management		Development		Others	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
Revenues	2,659,336	3,145,029	2,835,186	1,365,508	1,304,735	1,139,347
Sale of subsidiaries	–	(199,624)	6,544,112	2,487,280	2,212,263	–
Impairment of goodwill	–	–	–	(1,429,626)	–	–
Other income	–	–	150,622	102,008	–	–
Changes in real estate projects under development	–	–	–	1,264,444	–	–
Expenses for materials	(732,176)	(981,837)	(597,259)	(398,390)	(1,212,280)	(1,054,773)
Project development expenses	–	–	(140,682)	(1,163,234)	–	–
Personnel expenses	(2,156)	(9,201)	(3,817,346)	(3,584,213)	–	–
Depreciation	(614,985)	(924,911)	(275,675)	(453,180)	(80,389)	(102,699)
Impairments	(8,238)	(558,772)	(36,758)	(1,702,234)	(364,470)	(109,400)
Write-ups	1,678,841	–	1,142,868	–	–	–
Other operating expenses	(215,401)	(302,474)	(1,805,574)	(6,649,707)	(110,555)	(19,292)
Segment operating result	**2,765,221**	**168,210**	**3,999,494**	**(10,161,343)**	**1,749,305**	**(146,817)**
thereof in						
• Czech Republic	–	–	356,678	225,709	–	–
• Poland	1,218,532	1,305,138	2,038,357	517,921	1,304,735	1,139,347
• Germany	270,005	283,568	–	–	–	–
• Austria	–	–	411,682	487,985	–	–
• Hungary	1,170,798	1,556,324	82,849	160,377	–	–
• Others	–	–	(54,380)	(26,484)	–	–
	2,659,336	3,145,029	2,835,186	1,365,508	1,304,735	1,139,347
thereof operating result in						
• Czech Republic	–	–	(14,594)	178,862	–	–
• Poland	454,609	292,942	5,757,768	(2,240,182)	1,749,305	(146,817)
• Germany	1,819,006	(70,927)	(21,153)	(1,961)	–	–
• Austria	–	–	(1,609,436)	(7,765,198)	–	–
• Hungary	491,605	(53,807)	(197,699)	(311,596)	–	–
• Others	1	2	84,607	(21,269)	–	–
	2,765,221	168,210	3,999,494	(10,161,343)	1,749,305	(146,817)

Segment cash flow Development & Asset Management

	Asset Management		Development		Others	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
Cash receipts from rent	2,621,201	3,141,938	2,485,389	1,462,545	1,325,251	1,055,169
Cash receipts from development	–	–	291,277	2,270,124	–	–
Interest received	5,639	30,736	802,393	997,018	20,513	90
Cash paid for development	(3,328)	404	(264,843)	(1,315,057)	–	–
Expenses for materials	(724,855)	(776,521)	(737,513)	(350,659)	(1,293,298)	(1,011,798)
Personnel expenses	(1,699)	(9,281)	(4,030,723)	(4,211,161)	–	–
Cash paid for other expenses	(210,206)	(211,752)	(1,736,569)	(1,881,813)	(73,112)	(49,753)
Income tax paid	(10,941)	(30,553)	(23,938)	(307,843)	–	–
Segment cash flow from operating activities	**1,675,811**	**2,144,971**	**(3,214,528)**	**(3,336,845)**	**(20,646)**	**(6,291)**
Net receipts from the sale of disposal groups			19,370,679	2,600,000	–	–
Segment cash flow including proceeds from disposals	1,675,811	2,144,971	16,156,151	(736,845)	(20,646)	(6,291)
thereof in						
• Czech Republic	–	–	(58,506)	(144,881)	–	–
• Poland	687,728	895,681	1,488,802	(464,011)	(20,646)	(6,291)
• Germany	146,498	225,247	(24,205)	(2,013)	–	–
• France	–	–	(85,803)	(136,315)	–	–
• Austria	–	–	(4,266,124)	(2,419,600)	–	–
• Hungary	844,913	1,023,641	(251,186)	(287,574)	–	–
• Russia	(3,328)	404	18,299	187,074	–	–
• Romania	–	–	–	–	–	–
• Louvre subgroup	–	–	(2,560)	(33,709)	–	–
• Others	–	–	(33,245)	(35,817)	–	–
	1,675,811	2,144,971	(3,214,528)	(3,336,845)	(20,646)	(6,291)

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.

Analysis of segment assets Development & Asset Management

a) Asset Management	**Rented out**		**Under construction**		**Subtotal**	
At 31 December	**2010**	2009	**2010**	2009	**2010**	2009
Property	19,936,837	18,020,320	35,084,277	24,631,185	55,021,114	42,651,505
Financial assets	–	–	201,454	459,793	201,454	459,793
Other non-current	30,049	17,513	339,910	306,480	369,960	323,993
Other current	60,772	129,018	3,329	–	64,101	129,018
Cash and cash equivalents	565,928	542,801	533,154	523,172	1,099,081	1,065,973
Total assets	**20,593,586**	**18,709,651**	**36,162,123**	**25,920,631**	**56,755,710**	**44,630,282**
Bank loans	(15,789,776)	(20,297,458)	(6,998,878)	–	(22,788,654)	(20,297,458)
Other non-current	(395,395)	(435,227)	–	–	(395,395)	(435,227)
Other current	(307,662)	(404,797)	(596,862)	(143,876)	(904,524)	(548,673)
External liabilities	**(16,492,833)**	**(21,137,482)**	**(7,595,740)**	**(143,876)**	**(24,088,573)**	**(21,281,358)**
[1] Deferred taxes	137,796	(515,735)	(635,422)	(456,323)	(497,625)	(972,058)
[2] Loans from joint ventures	(1,232,895)	(1,309,170)	(6,578,609)	(5,543,556)	(7,811,503)	(6,852,726)
Total liabilities	**(17,587,931)**	**(22,962,387)**	**(14,809,770)**	**(6,143,755)**	**(32,397,702)**	**(29,106,142)**

b) Development	**Primary**		**Others**		**Total**	
At 31 December	**2010**	2009	**2010**	2009	**2010**	2009
Property	10,286,910	12,587,709	776,441	1,538,951	66,084,465	56,778,165
Financial assets	62,544,052	76,144,212	–	–	62,745,506	76,604,005
Other non-current	–	(9,405,171)	–	9,337,412	369,960	256,234
Other current	5,017,788	2,109,929	113,747	243,396	5,195,636	2,482,343
Cash and cash equivalents	3,702,276	1,257,779	35,798	21,213	4,837,155	2,344,964
Total assets	**81,551,026**	**82,694,457**	**925,985**	**11,140,972**	**139,232,721**	**138,465,711**
Bank loans	(71,128,287)	(78,579,458)	(217,128)	(595,684)	(94,134,069)	(99,472,600)
Other non-current	(3,512,161)	(3,416,857)	–	–	(3,907,556)	(3,852,084)
Other current	(3,215,418)	(6,043,689)	(97,015)	(273,299)	(4,216,957)	(6,865,661)
External liabilities	**(77,855,866)**	**(88,040,004)**	**(314,142)**	**(868,983)**	**(102,258,582)**	**(110,190,345)**
[1] Deferred taxes	(3,915,320)	(5,224,715)	–	–	(4,412,945)	(6,196,773)
[2] Loans from joint ventures	(2,054,161)	(1,279,048)	–	–	(9,865,664)	(8,131,774)
Total liabilities	**(83,825,346)**	**(94,543,767)**	**(314,142)**	**(868,983)**	**(116,537,191)**	**(124,518,892)**

1) Deferred tax liabilities primarily result from the valuation of property, plant and equipment at fair values in a business combination and upon other changes in the scope of consolidation. This leads to higher depreciation in the consolidated financial statements as compared to the depreciation in the separate financial statements of the subsidiary or joint venture and hence to deferred tax income.
2) Loans from joint venture partners are generally attributed to the segment of the relevant joint venture company. Loans made to joint ventures by Warimpex Finanz- und Beteiligungs AG are presented in the segment Development & Asset Management. A reconciliation of loans given to joint ventures and loans received from joint venture partners is contained in Note 21.7.

Analysis of segment property, plant and equipment Development & Asset Management

a) Asset Management	**Rented out**		**Under construction**		**Subtotal**	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
At 1 January	18,020,320	20,026,237	24,631,185	19,905,771	42,651,505	39,932,008
Changes in scope of consolidation	–	(3,992,995)	–	(2,423,560)	–	(6,416,555)
Additions	34,193	360,042	8,978,249	10,738,965	9,012,442	11,099,006
Segment transfers	455,341	2,259,081	1,839,930	(2,935,266)	2,295,272	(676,186)
Depreciation	(253,136)	(343,332)	(361,849)	(654,724)	(614,985)	(998,056)
Impairments	–	(289,841)	(3,238)	–	(3,238)	(289,841)
Write-ups	1,678,841	–	–	–	1,678,841	–
Exchange effects	1,278	1,128	–	–	1,278	1,128
At 31 December	19,936,837	18,020,320	35,084,277	24,631,185	55,021,114	42,651,505
thereof in						
• Poland	8,455,003	8,206,410	–	–	8,455,003	8,206,410
• Germany	3,440,400	1,767,893	–	–	3,440,400	1,767,893
• Hungary	8,041,434	8,046,018	6,852,555	6,990,559	14,893,989	15,036,577
• Russia	–	–	28,231,722	17,640,626	28,231,722	17,640,626
At 31 December	19,936,837	18,020,320	35,084,277	24,631,185	55,021,114	42,651,505

b) Development	**Primary**		**Others**		**Total**	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
At 1 January	12,587,709	11,733,501	1,538,951	1,606,394	56,778,165	53,271,903
Changes in scope of consolidation	(4,327,497)	–	(379,090)	–	(4,706,587)	(6,416,555)
Additions	1,532,213	3,461,724	11,520	131,920	10,556,175	14,692,650
Segment transfers	–	–	–	–	2,295,272	(676,186)
Disposals	(304,952)	(163,805)	–	–	(304,952)	(163,805)
Depreciation	(275,675)	(457,579)	(80,389)	(102,699)	(971,050)	(1,558,334)
Impairments	(41,758)	(1,971,166)	(364,470)	(129,957)	(409,466)	(2,390,964)
Write-ups	1,142,868	–	–	–	2,821,709	–
Exchange effects	(25,997)	(14,966)	49,919	33,294	25,200	19,456
At 31 December	10,286,910	12,587,709	776,441	1,538,951	66,084,465	56,778,165
thereof in						
• Czech Republic	921,266	1,226,219	–	–	921,266	1,226,219
• Poland	6,856,924	8,780,338	776,441	1,538,951	16,088,369	18,525,698
• Germany	2,267,519	2,158,143	–	–	5,707,919	3,926,035
• Austria	216,031	394,230	–	–	216,031	394,230
• Hungary	25,169	28,780	–	–	14,919,157	15,065,357
• Russia	–	–	–	–	28,231,722	17,640,626
At 31 December	10,286,910	12,587,709	776,441	1,538,951	66,084,465	56,778,165

Analysis of segment financial liabilities Development & Asset Management

a) Asset Management	Rented out		Under construction		Subtotal	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
Loans at 1 January	(20,297,458)	(26,345,434)	–	–	(20,297,458)	(26,345,434)
• Changes in the scope of consolidation	–	3,861,766	–	–	–	3,861,766
• New borrowing	–	(2,968,681)	(3,216,785)	–	(3,216,785)	(2,968,681)
• Repayment	834,751	583,220	–	–	834,751	583,220
• Capitalized interest	–	(38,589)	–	–	–	(38,589)
• Segment transfers	3,672,931	4,610,261	(3,782,093)	–	(109,162)	4,610,261
• Exchange effects	–	–	–	–	–	–
Loans at 31 December	**(15,789,776)**	**(20,297,458)**	**(6,998,878)**	**–**	**(22,788,654)**	**(20,297,458)**
JV loans at 1 January	(1,309,170)	(431,391)	(5,543,556)	(1,873,663)	(6,852,726)	(2,305,053)
• Changes in the scope of consolidation	–	–	–	806,872	–	806,872
• New borrowing	102,332	91,177	(1,334,140)	(4,146,121)	(1,231,809)	(4,054,943)
• Repayment	–	–	–	–	–	–
• Capitalized interest	(26,056)	–	–	–	(26,056)	–
• Segment transfers	–	(968,957)	299,088	(330,645)	299,088	(1,299,602)
JV loans at 31 December	(1,232,895)	(1,309,170)	(6,578,609)	(5,543,556)	(7,811,503)	(6,852,726)

b) Development	Primary		Others		Total	
For the year	**2010**	2009	**2010**	2009	**2010**	2009
Loans at 1 January	(78,579,458)	(87,052,169)	(595,684)	(687,326)	(99,472,600)	(114,084,930)
• Changes in the scope of consolidation	2,642,358	(287,343)	369,707	–	3,012,065	3,574,423
• New borrowing	(13,754,181)	(17,386,562)	(155,508)	(44,029)	(16,836,474)	(20,399,272)
• Repayment	21,606,043	31,802,914	182,148	142,650	22,332,941	32,528,783
• Capitalized interest	0	(309,388)	–	–	0	(347,977)
• Segment transfers	–	(4,967,230)	–	–	(109,162)	(356,969)
• Exchange effects	(3,043,049)	(379,680)	(17,790)	(6,979)	(3,060,839)	(386,660)
Loans at 31 December	**(71,128,287)**	**(78,579,458)**	**(217,128)**	**(595,684)**	**(94,134,069)**	**(99,472,600)**
JV loans at 1 January	(1,279,048)	(1,126,625)	–	(330,645)	(8,131,774)	(3,762,324)
• Changes in the scope of consolidation	–	–	–	–	–	806,872
• New borrowing	(775,114)	(825,397)	–	–	(2,006,922)	(4,880,340)
• Repayment	–	–	–	–	–	–
• Capitalized interest	–	–	–	–	(26,056)	–
• Segment transfers	–	968,957	–	330,645	299,088	–
• Exchange effects	–	(295,983)	–	–	–	(295,983)
JV loans at 31 December	(2,054,161)	(1,279,048)	–	–	(9,865,664)	(8,131,774)

[07] Notes on the consolidated income statement

7.01. Sales revenues and other income

Sales revenues contain revenues received from transactions with joint ventures amounting to EUR 368,585 (previous year: EUR 312,089). Charges in the amount of EUR 78,697 (previous year: EUR 38,400) were invoiced to associated companies up to the point in time at which they were reclassified as ‘Financial instruments available for sale’.

The foreign exchange differences in the amount of EUR 231,393 (previous year: EUR 458,787) include net exchange effects of EUR 298,978 (previous year: EUR 424,971).

7.02. 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 4,872,713 (previous year: EUR 4,019,642) were paid to related parties (Vienna International AG) and EUR 276,391 (previous year: EUR 305,099) were paid to Intercont.

b) Expenses for project development

This item contains expenses for projects which are currently under development.

7.03. Personnel expenses break down as follows:

Current personnel expenses	**2010**	2009
Wages and salaries	22,629,339	20,519,523
Social security costs	4,951,467	4,849,414
Other payroll-related taxes and contributions	764,822	734,218
Voluntary employee benefits	24,226	26,716
Expenses for posted employees	1,273,678	1,156,821
Expenses in respect of pensions and severance payments	(138,242)	52,156
Changes in accrual for compensated absences	(7,684)	81,879
	29,497,605	27,420,727
Changes in payroll-related provisions (Note 21)	(66,672)	(342,303)
	29,430,933	27,078,425

Director’s remuneration is included in expenses for wages and salaries at an amount of EUR 1,237,240 (previous year: EUR 1,044,271). This also includes a bonus entitlement in the amount of EUR 255,000 (previous year: EUR 0).

The director’s bonus amounts to 5% of the annual profit attributable to the shareholders of the parent. The share of profit-related director’s remuneration in relation to total director’s remuneration was 20.6% (previous year: 0.0%).

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 retirement age of 65 years.

Eligibility to pension benefits under the Company pension plan lapses if the employment contract is terminated for the grounds stated in § 27 Employees Act, or if a director resigns or terminates his or her work contract for no material reason.

If 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 but to reimbursement of the surrender value under the pension reimbursement insurance.

Director's fees of EUR 35,599 (previous year: EUR 68,779) were paid to employees participating in the supervisory boards of subsidiaries. Director's fees of EUR 0 (previous year: EUR 15,740) were paid to directors of Warimpex Finanz- und Beteiligungs AG in their capacity as members of the supervisory boards of subsidiaries.

During the reporting period, the Group employed an average of 1,605 (previous year: 1,466) employees.

During the reporting period, gross wage and salary costs for all employees (excluding the directors) increased by approximately 10.14% compared to the previous year. The average number of employees increased by 9.45% in the reporting period due to the opening of the andel's hotel Katowice.

During the reporting period, gross wage and salary costs for all employees (excluding the directors) decreased by approximately 0.6% compared to the previous year. This can primarily be attributed to lower bonus payments.

7.04. Write-downs and impairment

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 2008 and 2009 were reversed in part in the reporting period. The item breaks down as follows:

	Other intangible assets		Property, plant and equip. under constr.		Investment properties	
Amounts in EUR '000	**2010**	2009	**2010**	2009	**2010**	2009
Scheduled write-down	165	150	19,114	16,391	615	764
Impairments	-	3,008	1,922	57,793	3	290
Write-ups	-	-	(21,961)	-	(1,679)	-
	165	3,158	(745)	74,184	(1,061)	1,054

Write-ups on 'Investment properties' relate to impairment losses recognized in 2008.

7.05. Other operating expenses break down as follows:

	2010	2009
Pre-opening costs	233,833	805,365
Legal fees	988,951	1,284,169
Administrative costs	1,684,427	2,131,366
Advertisement and marketing	539,546	546,193
Non-recoverable VAT	385,740	375,579
Lease payments for andel's Krakow and other rents	2,401,047	1,028,811
Property costs	3,451,839	1,741,530
Franchise agreement termination costs Holiday Inn (France)	–	1,250,000
Costs related to guarantees	–	5,030,377
Impairment charges (reversal of impairment) for current assets	(3,725)	(349,007)
Others	416,784	314,485
	10,098,441	14,158,868

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 2010 financial year, fees were paid to the Group financial auditor, Ernst&Young Wirtschaftsprüfungs GmbH Vienna, as follows: EUR 98,000 (previous year: EUR 104,000) for auditing services, EUR 207,488 (previous year: EUR 88,000) for other attestation services, and EUR 12,250 (previous year: EUR 0) for other services.

7.06. Finance costs

	2010	2009
Interest on short-term borrowings, project loans and other loans	18,014,160	16,905,116
Interest on purchase price claim extension agreement for andel's hotel Łódź	780,658	786,722
Interest on loans from minority shareholders	101,167	58,807
Interest on loans relating to joint ventures	793,846	1,084,691
Discount expenses on other loans	185,185	2,960,432
	19,875,016	21,795,768
Interest cost for provisions for pensions and other long-term employee benefits	165,948	165,764
Interest cost of derivative financial instruments	(2,129)	217,205
Foreign exchange differences on loans denominated in CHF	4,272,202	358,553
Other finance costs	615,095	1,290,547
Gains/losses on the sale of available-for-sale investments	–	(596,914)
	24,926,133	23,230,923
Unrealized losses on derivative financial instruments	380,549	467,275
	25,306,681	23,698,197

The item 'Unrealized losses on derivative financial instruments' pertains to the valuation of the back stock option (see also Note 26.4.) and 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 20.5. Finance costs include lending commitment fees 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 a foreign currency loan for which no hedges exist against foreign currency exposure; please refer to Note 20 and Note 26.2.

7.07. Financial revenue

	2010	2009
Interest income from cash management	851,476	1,225,852
Interest from financial investments	81,575	100,740
Interest on loans made to joint ventures	2,381,462	2,295,171
Interest on loans made to related parties	–	105,286
	3,314,513	3,727,050
Interest income from derivative financial instruments	–	210,000
	3,314,513	3,937,050

[08] Income taxes

A reconciliation between 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% for the reporting period (previous year: 25%) is as follows:

	2010	2009
Profit before tax	**2,391,621**	**(29,439,156)**
Accounting profit before income tax *25% (previous year: 25%)	(597,905)	23,089,468
± Changes in tax rates	(107,883)	347,738
± Other foreign tax rates	(158,768)	(5,068,295)
± Tax-free profits from the participation exemption (§ 10 KStG)	1,768,396	(1,550,827)
± Permanent differences	(536,397)	(224,793)
± Impairment of deferred tax assets*)	(813,084)	(15,153,449)
± Income from first-time recognition of deferred tax assets	–	114,093
± Effect of goodwill	–	(407,525)
± Effects of changes in equity	1,050,408	(1,057,995)
± Effects of exchange rate fluctuations	751,020	(397,789)
	1,355,787	(309,374)
Effective tax rate	-56.69%	-0.33%

*) Income from the release of impairment losses on deferred taxes resulted primarily from unrecognized loss carryfowards 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 period, no deferred tax liabilities were recognized for unremitted earnings of subsidiaries or joint ventures, 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 equity instruments in subsidiaries and joint ventures.
The tax rate changes in the reporting period pertain to the tax hike in Hungary from 16% to 19%; in the previous period, they pertain to the tax cut in the Czech Republic from 21% to 19%.

Deferred tax assets and liabilities in detail

	Deferred tax assets		Deferred tax liabilities	
	2010	2009	**2010**	2009
Temporary differences from property, plant and equipment	6,320,836	8,813,723	(20,006,358)	(21,638,056)
Revaluation of property, plant and equipment	–	–	(1,305,998)	(1,305,610)
Temporary differences from investments in subsidiaries and joint ventures	1,421,148	670,515	(6,644,538)	(5,844,349)
Temporary differences in current assets	(5,696)	54,848	(1,181,389)	(1,188,419)
Temporary differences from pension provisions and other long-term employment benefits	259,839	259,575	–	–
Temporary differences from liabilities and provisions	10,684,181	10,646,385	(1,365,578)	(869,384)
Tax loss carry-forwards	23,404,981	18,685,750	–	–
Impairment of deferred tax assets*)	(24,020,892)	(23,331,991)	–	–
	18,064,396	15,798,805	(30,503,862)	(30,845,818)
Offset within legal tax units and jurisdictions	(16,486,350)	(14,686,453)	16,486,350	14,686,453
	1,578,047	1,112,352	(14,017,512)	(16,159,365)

*) 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	
	2010	2009	**2010**	2009
Balance of deferred items on 1 January	1,112,352	3,836,593	(16,159,365)	(20,707,325)
• Revaluation (IFRS 3)	–	–	–	918,416
Additions from business combinations	–	(76,515)	–	(58,895)
Capital procurement costs recognized in equity	1,035,128	–	–	–
Changes recognized directly in equity				
in connection with				
• Foreign currency translation	(63,231)	(47,841)	(6,109)	165,359
• Cash flow hedges	–	–	15,280	139,579
Deferred tax income/expense				
• For disposal groups classified as held for sale	–	–	–	–
• Other changes	(506,202)	(2,599,885)	2,132,682	3,383,501
Balance on 31 December	1,578,047	1,112,352	(14,017,512)	(16,159,365

[09] Share capital, earnings per share

The Company's share capital is divided into 54,000,000 (previous year: 39,599,999) non-par-value shares. On 11 May 2010, the Company increased its capital by 14,000,001 newly issued voting bearer shares. The issue price was EUR 2.00 per share. 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 2010 and 31 December 2010 was 48,833,852 (previous year: 36,604,185).

	Current year	Previous year
Shares 01.01.2009–23.10.2009		36,000,000
Shares 24.10.2009–31.12.2009		39,599,999
Shares 01.01.2010–11.05.2010	39,599,999	
Shares 12.05.2010–31.12.2010	54,000,000	
Less treasury shares	-66,500	-66,500
Weighted average number of shares	48,765,280	36,604,185
Dilution effect: share option	68,571	–
Weighted average number of shares		
Adjusted for the dilution effect	48,833,852	36,604,185

Earnings per share for the previous year were calculated on the basis of 36,604,185 shares; for financial year 2010, the treasury shares were eliminated from the calculation and the shares issued in the context of the capital increase were included in the calculation on a pro-rata basis. Please see note 26.4. for information on the stock option. According to the Austrian Stock Corporation Act, the separate financial statements as of 31 December 2010 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 profit for the period in the amount of EUR 12,003,799. Including the loss carried forward from the prior year in the amount of EUR 22,735,018, the result for the period came to minus EUR 10,731,219. The managing directors propose to the General Meeting of Shareholders to carry forward the entire net loss of EUR 10,731,219.

Earnings per share: (based on the weighted average number of shares)	**2010**	2009
Profit for the year allocable to the shareholders of the Group, undiluted	5,254,294	(86,519,399)
Earnings per share, undiluted	0.11	(2.36)
Earnings per share, diluted	0.11	(2.36)

Shareholder structure	on 31 December 2010		on 31 December 2009	
	%	Shares	%	Shares
Amber Privatstiftung	10.6%	5,735,000	14.5%	5,735,000
Bocca Privatstiftun	10.6%	5,721,999	14.4%	5,721,999
Georg Folian	14.1%	7,612,300	19.2%	7,612,300
Franz Jurkowitsch	14.0%	7,570,000	19.1%	7,570,000
Alexander Jurkowitsch	0.6%	305,000	0.8%	309,000
Christian Fojtl	0.5%	266,000	0.7%	265,000
Treasury shares	0.1%	66,500	0.2%	66,500
Free float	49.5%	26,723,201	31.1%	12,320,200
		54,000,000		39,599,999

[10] Property, plant and equipment

31 December 2009 EUR	*Land, and equivalent rights*	*Buildings incl. buildings on lease-hold land*	*Equipment, (hotel) furniture*	*Finance lease**	*Plant*	*Total*
Net carrying amount at 1 January 2009	80,064,549	344,517,260	14,351,649	33,620,886	1,587,542	474,141,885
Additions/disposals through other changes in the scope of consolidation	–	(1,211,780)	–	–	–	(1,211,780)
Additions from investments	6,466,686	68,952,004	9,732,531	1,425,910	131,781	86,708,912
Disposals	(6,701,898)	(20,617,020)	44,580	–	–	(27,274,339)
Transfers	–	(15,490,330)	15,490,330	–	–	–
Depreciation	(326,481)	(8,659,441)	(5,732,217)	(1,570,592)	(101,808)	(16,390,538)
Impairment charges	(3,810,972)	(51,993,745)	(1,879,119)	–	(109,400)	(57,793,236)
Exchange adjustments	69,554	(420,746)	(122,654)	–	33,377	(440,470)
Net carrying amount at 31 December 2009	75,761,437	315,076,201	31,885,099	33,476,205	1,541,491	457,740,434
Acquistion or production cost	80,194,815	412,584,002	49,330,033	38,329,161	1,950,096	582,388,106
Accumulated depreciation and impairment	(4,433,377)	(97,507,800)	(17,444,933)	(4,852,957)	(408,604)	(124,647,672)
	75,761,437	315,076,201	31,885,099	33,476,205	1,541,491	457,740,434
Including:						
• Property under construction	24,639,487	54,992,901	1,387,348	–	–	81,019,736
31 December 2010						
Net carrying amount at 1 January 2010	75,761,437	315,076,201	31,885,099	33,476,205	1,541,491	457,740,434
Additions/disposals through other changes in the scope of consolidation	(934,092)	(3,393,405)	(331)	–	(378,759)	(4,706,587)
Additions from investments	851,332	8,172,251	3,718,389	0	11,646	12,753,617
Disposals	(522,988)	(1,177,820)	(313)	–	–	(1,701,121)
Transfers (Note 11)	–	(4,199,091)	2,137,833	–	–	(2,061,258)
Depreciation	(304,587)	(8,748,539)	(8,502,952)	(1,474,467)	(83,206)	(19,113,751)
Impairment charges	(5,000)	(1,459,914)	(92,703)	–	(364,470)	(1,922,086)
Write-ups	2,707,969	18,850,490	222,840	–	–	21,781,300
Exchange adjustments	159,339	(1,426,855)	375,581	–	49,739	(842,196)
Net carrying amount at 31 December 2010	77,713,410	321,693,318	29,743,444	32,001,738	776,441	461,928,351
Acquistion or production cost	79,737,415	420,784,205	56,139,939	38,329,161	981,735	595,972,455
Accumulated depreciation and impairment	(2,024,005)	(99,090,887)	(26,396,495)	(6,327,423)	(205,294)	(134,044,104)
	77,713,410	321,693,318	29,743,444	32,001,738	776,441	461,798,128
Including:						
• Property under construction	14,536,754	16,144,729	–	–	–	30,681,483

Impairment of 'Property, plant and equipment' was recognized in the amount of EUR 2,232,309 (previous year: EUR 57,793,236) because an external appraisal showed a lower recoverable amount than the carrying value on the reporting date.

Because of the international financial and economic crisis, expectations in the previous year were that occupancy rates and average room rates would decline in the tourism industry in the coming years. In addition, the risk premiums on which the valuations are based have increased.

Because of the gradual stabilization in the tourism industry, impairments recognized on 'Property, plant and equipment' in the previous year were reversed in the amount of EUR 21,961,300 in the reporting period (previous year: EUR 0) 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 453,791,386 (previous year: EUR 444,068,657) are subject to a first charge to secure the Group's loans (Note 20.1.). Additions contain capitalized interest of EUR 565,413 (previous year: EUR 2,828,462). The related finance interest rate is EURIBOR + 1.5 to 2.5%.

Finance lease includes rights equivalent to land in the amount of EUR 6,559,023 (previous year: EUR 6.6 million), buildings in the amount of EUR 24,017,676 (previous year: EUR 24.8 million) and equipment and hotel furniture in the amount of EUR 1,425,039 (previous year: EUR 2.0 million).

The Group's uniform estimates for the assets' useful lives are as follows:	2010	2009
• 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 the 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.

Additions from investments relate to the following projects:	2010	2009
Construction progress Airport City St. Petersburg (hotel part)	5,217,524	3,953,919
Completion of angelo hotel Katowice	2,852,727	7,024,152
Completion of andel's hotel Łódź	–	28,458,670
Completion of andel's hotel Berlin	–	10,544,049
Completion of angelo hotel Ekaterinburg	–	27,471,758
Renovation of Magic Circus Hotel, Paris	–	1,778,428
Renovation of Sobieski hotel	207,134	152,157
Project development Le Palais Warsaw	833,148	1,278,407
Purchase of properties/start of construction for Louvre joint venture	1,346,811	1,976,232
Property purchases Berlin	109,376	1,839,214
Other project developments and current investments related to hotels	2,186,896	2,231,928
	12,753,617	86,708,912

Cash flow	2009	2008
Cash received from the sale of properties	369,568	27,912,317
Cash paid for purchases		
Payments agreed for investments	(12,753,617)	(86,708,912)
± Outflows for the acquisition of investment properties	(12,924,125)	6,501,719
± Deferred tax liabilities associated with purchased property, plant and equipment	–	166,351
± Tax incurred for the purchase of property, plant and equipment	6,474,433	106,459
± Change in provisions related to investment properties	196,253	934,005
+ Reimbursements from insurance policies	–	325,000
- Penalty interest on construction invoices	(780,658)	(786,722)
- Fee for franchise contract termination Holiday Inn France	–	(1,250,000)
	(19,787,715)	(80,712,100)

Cash receipts from sold property, plant and equipment pertain primarily to the sale of andel's hotel Krakow in the previous year.

[11] 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:

	2010	2009
Net carrying amounts at 1 January	42,885,519	39,255,822
Changes in the scope of consolidation	–	(6,416,555)
Additions	9,012,442	11,099,006
Transfers of property, plant and equipment	2,061,258	–
Depreciation	(614,985)	(764,042)
Impairment charges	(3,238)	(289,841)
Write-ups	1,678,841	–
Exchange adjustment	1,278	1,128
Net carrying amount at 31 December	55,021,114	42,885,519

Write-ups on 'Investment properties' amounting to EUR 1,678,841 were made for properties up to their amortized historical cost because their values stabilized again compared to the previous year. The associated impairment charges were recognized in 2008.

	2010	2009
Acquisition or production cost	55,783,468	46,403,420
Accumulated depreciation and impairment	(762,354)	(3,517,901)
Net carrying amount at 31 December	55,021,114	42,885,519
Thereof under construction	28,209,923	25,285,909
Thereof pledged as for interest-bearing loans	54,300,126	42,159,946
Thereof land value	5,318,637	3,645,131
Fair market value as of year end according to appraiser's valuation opinion, in line with the Group share	*57,154,555*	*65,420,000*
Result from investment properties:		
Rental income and charged expenses	2,714,472	3,175,244
Direct expenses	(732,176)	(981,837)
Net rental income	1,982,296	2,193,407

The majority of the space in the buildings Parkur Tower, Sajka Utca, Dioszegi Utca, Erszebet Utca tower B, Munich Archive and Sobieski office building was let out.

Cash flow	**2010**	2009
Payments agreed for investments	(9,012,442)	(11,099,006)
± Tax incurred for the purchase of property, plant and equipment	58,393	46,758
± Outflows for the acquisition of investment properties	393,998	(1,468,694)
	(8,560,051)	(12,520,943)

[12] Intangible assets

EUR	Computer software	Other intangible assets	Goodwill	TOTAL
Net carrying amount at 1 January 2009	252,781	3,149,523	2,350,892	5,753,197
Disposals	(15,174)	–	–	(15.174)
Additions from investments	310,503	–	–	310,503
Depreciation	(150,296)	–	–	(150,296)
Impairments	–	(3,008,178)	(1,429,626)	(4,437,804)
Exchange adjustment	(15)	(141,346)	–	(141,360)
Net carrying amount at 31 December 2009	397,799	–	921,266	1,319,066
Acquisition or production cost	1,209,307	3,008,178	921,266	5,138,751
Accumulated depreciation and impairment	(811,508)	(3,008,178)	–	(3,819,685)
	397,799	–	921,266	1,319,066
Net carrying amount at 1 January 2010	397,799	–	921,266	1,319,066
Additions from investments	3,432	–	–	3,432
Depreciation	(165,174)	–	–	(165,174)
Exchange adjustment	(6)	–	–	(6)
Net carrying amount at 31 December 2010	236,051	–	921,266	1,157,318
Acquisition or production cost	1,213,094	3,236,045	921,266	5,370,406
Accumulated depreciation and impairment	(977,043)	(3,236,045)	–	(4,213,088)
	236,051	–	921,266	1,157,318

[13] 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% (previous year: 8.0%). 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.

[14] Shares in associated companies

Warimpex consolidated two associated companies in the previous period (Palais Hansen Immobilienentwicklung GmbH and WX Rondo One Holding s.a.r.l.); both of these entities were transferred to the item 'Financial instruments available for sale' because

1) The shares in Palais Hansen Immobilienentwicklung GmbH were sold to a co-investor with the exception of a 9.88% stake; an option for a further sale that can be exercised at any time and with a term of several years was issued for the remaining stake. The Company no longer has a material influence over this project.

2) The GATX Warsaw real estate project was sold by Roundabout Sp.z.o.o. in an asset deal. The project company will not engage in any business activity in the future. The value that was transferred to the item 'Financial instruments available for sale' corresponds to the expected liquidation value.

The item 'Associated companies' developed as follows in the reporting period:

	Palais Hansen 26.57%		GATX 10.5%		TOTAL	
	2010	2009	**2010**	2009	**2010**	2009
Net carrying amounts at 1 January	6,587,156	6,536,220	2,750,256	2,653,729	9,337,412	9,189,950
Increase in capital contributions/loans	460,399	869,667	159,899	1,348	620,298	871,015
Profit allocation	–	–	–	(5,562)	–	(5,562)
Charged/capitalized interest	–	–	81,575	100,740	81,575	100,740
Impairments	–	(818,731)	–	–	–	(818,731)
Disposals	(4,137,736)	–	(2,981,541)	–	(7,119,277)	–
Transfer to 'Financial instruments					–	–
available for sale'	(2,909,820)	–	(10,188)	–	(2,920,008)	–
	–	6,587,156	–	2,750,256	–	9,337,412

[15] Other financial assets

	2010	2009
Loans	12,262,096	10,072,799
Advances made for business combinations	15,131	15,131
Loans made to joint ventures	46,838,091	49,152,575
Deposits with banks pledged as collateral	1,500,000	6,042,600
Pension reimbursement insurance rights	1,852,982	1,475,012
Other non-current financial assets	83,831	663,422
	62,552,132	67,421,539

Loans consist primarily of a loan extended to the company RL UBX Hotelinvestments Luxembourg S.a.r.l. and to Asset Paris II Luxembourg S.a.r.l., they also contain a non-interest-bearing claim discounted at a rate of 9.5% and a non-current purchase price claim in the amount of EUR 8 million, which was discounted at 12% over a period of 4 years.

The loans to joint ventures are presented in detail in Note 20.6.

Deposits with banks pledged as collateral in the amount of EUR 0 (previous year: EUR 3,037,170) relate to the former subsidiary andel's Praha a.s., which was sold in 2005 (see also Note 23.4.). An amount of EUR 1,500,000 (previous year: EUR 3,005,430) relates to the hotel andel's Krakow, which was sold during the previous reporting period (see also Note 23.5.). As regards the terms and conditions of related-party loans please refer to Note 24.

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 financial assets contain deposit monies and recoverable VAT for a development project in Russia.

[16] Inventories

	2010	2009
Materials and merchandise	1,696,136	1,698,813
Real estate development projects under development or construction	–	1,314,444
	1,696,136	3,013,257

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' reported in the previous period pertained to an approach ramp at the andel's hotel in Łódź that was sold during the reporting period.

[17] Trade and other receivables (current)

	2010	2009
Trade receivables	5,098,273	5,237,907
Receivables for taxes	729,446	7,054,041
Receivables relating to the sale of subsidiaries	814,172	488,500
Advance payments made	224,322	396,928
Other current receivables and assets	924,409	1,395,351
Receivables due from associated companies	3,890	122,379
Receivables due from joint ventures	232,854	195,835
Receivables due from related parties	750	712
Deferred expenses	827,247	1,133,925
	8,855,363	16,025,579

The maturity structure of trade receivables is as follows:	2010	2009
• neither overdue, nor bad debt provision made	2,206,296	3,147,255
• 30 days overdue, no bad debt provision made	1,559,296	1,112,234
• 60 days overdue, no bad debt provision made	577,392	360,955
• 90 days overdue, no bad debt provision made	238,385	328,472
• 120 days overdue, no bad debt provision made	228,732	226,118
• >120 days overdue, no bad debt provision made	288,171	62,874
• Impaired receivables	245,413	253,702
	5,343,686	5,491,609

Specific provisions for trade receivables developed as follows:	2010	2009
• At 1 January	(253,702)	(451,904)
• Use of provisions	152,968	207,318
• Write-back of provisions	(8,093)	(5,839)
• Allocation of provisions	(125,167)	4,741
• Exchange effects	(11,420)	(8,018)
	(245,413)	(253,702)

Trade receivables are non-interest-bearing and generally have terms of ten to ninety days. For details on receivables due from related parties and joint ventures, please refer to Note 24.

[18] Cash and short-term deposits

	2010	2009
Cash in hand	270,975	402,804
Cash at banks	8,698,444	10,836,677
Short-term deposits	64,456	133,960
Deposits for short-term bridge loans	1,760,000	560,000
	10,793,875	11,933,442

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 10,793,875 (previous year: EUR 11,933,442). At 31 December 2010, the Group had access to unused short-term borrowing facilities amounting to EUR 0 (previous year: EUR 2,708,017), for which it fulfilled all terms and conditions.

[19] Other reserves

EUR	*Revaluation reserve*	*Net unrealized gains/ losses*	*Foreign currency translation*	*Total*
At 1 January 2009	9,274,108	215,253	(1,206,401)	8,282,960
Changes in the scope of consolidation	–	–	(19,230)	(19,230)
Revaluation of land and buildings	(4,833,769)	–	–	(4,833,769)
(Deferred) tax effects from revaluation	918,416	–	–	918,416
Foreign currency translation	–	–	(472,722)	(472,722)
(Deferred) tax effects of currency translation	–	–	100,196	100,196
Net gains/losses from hedging	–	(734,628)	–	(734,628)
(Deferred) tax effects from hedging	–	139,579	–	139,579
At 31 December 2009	5,358,755	(379,796)	(1,598,156)	3,380,802
At 01 January 2010	5,358,755	(379,796)	(1,598,156)	3,380,802
Changes in the scope of consolidation	–	–	(45,273)	(45,273)
Foreign currency translation	–	–	(596,886)	(596,886)
(Deferred) tax effects of currency translation	–	–	(43,525)	(43,525)
Net gains/losses from hedging	–	(80,419)	–	(80,419)
(Deferred) tax effects from hedging	–	15,280	–	15,280
At 31 December 2010	5,358,755	(444,935)	(2,283,841)	2,629,979

[20] Financial liabilities

	2010	2009
Current		
Overdrafts	49,721,571	49,863,817
Bridge loans	10,502,720	–
Project loans	15,686,483	12,774,259
Project loans with breaches of loan agreements on the reporting date	6,465,657	6,762,229
Obligations under finance leases	524,810	332,180
Other loans	253,137	819,641
	83,154,377	70,552,125
Non-current		
Project loans	317,479,148	337,318,404
Obligations under finance leases		
• Interest-bearing bank loans	26,470,630	27,829,871
• Non-interest-bearing purchase option and loans	9,049,924	8,888,737
Loans from joint ventures		
• Interest-bearing (see Note 20.6.)	35,690,602	40,401,793
• Non-interest-bearing	2,450,995	2,450,995
Loans from minority interests	1,663,401	1,669,429
	392,804,694	418,559,227
Total financial liabilities	473,959,076	489,111,353

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

20.1. Bank loans secured by mortgages on land and buildings – overview

Financial liabilities in a total amount of EUR 354,152,532 (previous year: EUR 357,466,829) are secured by mortgages on land and buildings and changed as follows during the reporting period:

	At 1/1/2010	Changes in the scope of consolidation	New borrowings	Repayment of loans	Other changes	At 31/12/2010
a) Project-related loans secured by mortgages						
Subsidiaries (full consolidation)						
for andel's hotel Łódź	50,000,000	–	–	–	–	50,000,000
for Diplomat Hotel	31,911,820	–	–	(2,865,209)	18,757	29,065,368
for angelo hotel Ekaterinburg	38,694,379	–	–	(1,382,279)	–	37,312,100
for angelo hotel Bucharest	12,000,000	–	–	(1,000,000)	–	11,000,000
for Palace Hotel	13,524,500	–	–	–	–	13,524,500
for Chopin Hotel	11,388,959	–	–	(701,193)	6,585	10,694,351
for angelo hotel Prague	11,853,742	–	–	(602,144)	–	11,251,598
for Erszebet office building	11,832,175	–	–	(193,733)	–	11,638,441
for Amber Baltic Hotel	7,302,156	–	–	(1,153,660)	1,239,370	7,387,866
for Savoy Hotel	6,664,662	–	–	(1,388,417)	–	5,276,245
for Le Palais Hotel	6,461,657	–	–	–	4,000	6,465,657
for Warsaw gas heating plant	300,572	(216,567)	–	(94,182)	10,177	–
for Warsaw gas pipeline	183,477	–	–	(58,694)	5,311	130,095
Le Palais Warsaw	–	(2,642,358)	2,642,358	–	–	–
for Dvořák spa hotel	19,747,057	–	–	(602,389)	11,042	19,155,710
	221,865,154	(2,858,925)	2,642,358	(10,041,899)	1,295,242	212,901,931
Joint ventures (proportionate consolidation)						
for InterContinental 50%	30,014,155	–	–	(1,250,000)	33,692	28,797,847
for Dream Castle Hotel 50%	18,307,675	–	–	(969,111)	–	17,338,565
for andel's hotel Berlin 50%	34,250,000	–	–	–	(525,000)	33,725,000
for Magic Circus Hotel Paris 50%	9,854,375	–	–	(200,000)	2,500	9,656,875
for Leuchtenbergring project 49.5%	15,681,430	–	–	(579)	–	15,680,851
for Sobieski hotel and office building 25%	8,146,963	–	–	144,450	–	8,001,413
for Parkur Tower office building 50%	5,393,906	–	–	(221,030)	–	5,172,876
for angelo hotel Katowice 50%	7,492,402	–	2,665,420	–	–	10,157,823
for Airport City St. Petersburg 50%	–	–	4,825,177	–	–	4,825,177
for the Louvre subgroup 50%	–	–	1,643,102	–	(46,308)	1,596,794
for angelo hotel Plzeň 50%	6,460,768	–	–	(172,987)	9,600	6,297,381
	357,466,829	(2,858,925)	11,776,058	(13,001,156)	769,726	354,152,532
b) Other loans and facilities						
Short-term borrowing facilities	49,863,817	–	8,908,503	(9,050,779)	31	49,721,571
Long-term borrowing facilities	27,550,113	–	2,201,241	(11,817,036)	3,042,597	20,976,915
Current loans	819,641	(153,140)	155,087	(566,504)	(1,947)	253,137
Non-current loans from joint ventures	40,401,793	–	2,861,900	(505,093)	(7,067,998)	35,690,602
Lease purchase options and loans	8,888,737	–	5,000	–	156,187	9,049,924
Non-interest-bearing loans	2,450,995	–	–	–	–	2,450,995
Non-current loans from minority interests	1,669,429	–	746,091	(768,096)	15,977	1,663,401
	131,644,524	(153,140)	14,877,822	(22,707,509)	(3,855,153)	119,806,544
Total financial liabilities	489,111,353	(3,012,065)	26,363,879	(35,418,665)	(3,085,426)	473,959,076

20.2. Bridge loans

As of the end of the reporting period, the joint venture OAO Avielen AG had an outstanding bridge loan in the amount of EUR 5 million and the company Elsbeth kft an outstanding bridge loan in the amount of EUR 3.9 million.

20.3. Obligations under finance leases

This item contains two finance leases which also include loans subject to interest. Since the lease agreements do not provide for minimum annual lease payments, the whole item is classified as non-current debt.

The contingent lease payments for the reporting period amounted to EUR 2,148 million (previous year: EUR 1,174 million).

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

This item relates to one long-term project loan which was always serviced by the Group on schedule. However, since certain conditions of the loan agreement had not been adhered to as of the reporting date, this loan must be presented as a current liability according to IFRS. Debt service on this loan has always been on schedule, and the Management Board has no information indicating that the financing bank has any intention of demanding immediate repayment in full.

The scheduled debt service for the two loans is as follows:

	2011	2012	2013	2014	2015	> 5 years	Total
EUR ’000	905	488	513	539	567	3,454	6,466

Interest conditions for current and non-current financial liabilities

Total financial liabilities	2010	2009
• Thereof non-interest-bearing	11,500,919	11,339,731
Thereof from finance leases	9,049,924	8,888,737
• Thereof carrying fixed interesst	186,163,388	175,935,560
• Thereof carrying variable interest	276,294,770	301,836,061
	473,959,076	489,111,353

Interest range		2010	2009
• Bank overdrafts	EURIBOR	+ 1.5%–2.25%	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	+ 0.5%–2.25%	0.5%–2.25%
• Bridge loans	EURIBOR	+ 3%	+ 3%
• Loans from joint ventures	EURIBOR	+ 1.5%–2.5%	1.5%–2.5%
• Loans from minority interests	EURIBOR	+ 1.5%–2.5%	1.5%–2.5%
• Other loans	EURIBOR	+ 1.0%–1.5%	1.0%–1.5%

For information on the fair values of fixed-interest-bearing financial liabilities, please refer to Note 26.

20.6. Loans from joint ventures

Loans from joint ventures relate to the Group's proportionate share of the loans received by the joint venture from the other joint venture partners. This position is to be seen in connection with the loans given to joint ventures by the Group, which are presented within 'Other financial assets' (see Note 15). Loans from joint ventures and loans given to joint ventures are, in substance, equity instruments and are usually subordinated to project loans.

Loans from/to joint ventures carry variable interest of EURIBOR +1.5 to 2.5%. Loans from/to joint ventures generally have the same terms and conditions. Differences in the amounts outstanding are of a temporary nature and may result from interest differentials which can be due to different payment value dates.

	(Loans given to joint ventures – see Note 15)			Loans received from joint venture partners		
	At 1/1/2010	Change	At 31/12/2010	At 1/1/2010	Change	At 31/12/2010
Sienna Hotel Sp.z.o.o.	(10,492,737)	202,591	(10,290,145)	10,542,134	(191,212)	10,350,922
Bürohaus Leuchtenbergring GmbH & Co. Besitz KG	(2,412,762)	–	(2,412,762)	2,364,984	–	2,364,984
Louvre joint venture	(3,751,606)	91,555	(3,660,051)	3,756,759	234,014	3,990,774
GF Ramba Sp.z.o.o.	(852,819)	84,122	(768,697)	869,236	(102,332)	766,904
Hotelinvestments s.a.r.l.	(3,261)	(163)	(3,424)	3,265	–	3,265
Melica Sp.z.o.o.	(879,869)	(52,112)	(931,981)	879,869	52,112	931,981
Hotel Paris II S.a.r.l.	(176,467)	(50,415)	(226,882)	383,026	(150,000)	233,026
UBX II France S.a.r.l.	(52,587)	52,992	405	50,000	(50,000)	–
UBX Katowice Sp.z.o.o.	(1,996,475)	(732,507)	(2,728,982)	1,994,910	735,222	2,730,132
Avielen	(16,872,929)	(4,272,268)	(21,145,197)	7,866,702	1,832,912	9,699,614
UBX Plzen s.r.o.	(2,409,326)	(526,463)	(2,935,789)	2,472,213	447,111	2,919,324
UBX 1 Objekt Berlin GmbH	(8,260,323)	7,574,335	(685,988)	8,228,927	(7,575,184)	653,743
UBX 2 Objekt Berlin GmbH	(614,506)	(24,934)	(639,440)	613,346	24,889	638,234
UBX 3 Objekt Berlin GmbH	(370,421)	(15,030)	(385,451)	369,719	15,003	384,722
UBX 3 s.r.o.	(6,488)	(17,218)	(23,706)	6,703	16,274	22,977
	(49,152,575)	2,314,484	(46,838,091)	40,401,793	(4,711,191)	35,690,602

20.7. Loans from minority interests

Similar to loans from joint ventures, 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.

[21] Provisions

21.1. Pensions and other long-term employee benefit plans (Note 2.18.)

EUR	Contractual pension benfits	Obligations for long-term service bonuses	Legal obligation for severance payments	long-term service bonus	Total
At 1 January 2009	1,831,316	93,155	1,554,484	49,345	3,528,300
Service costs	48,150	–	(323,869)	(12,277)	(287,996)
Actuarial losses	(54,307)	–	–	–	(54,307)
Changes recognized in personnel expenses	(6,157)	–	(323,869)	(12,277)	(342,303)
Interest costs	97,453	–	66,476	1,835	165,764
Exchange effects PLN/EUR	329	1,456	–	–	1,785
At 31 December 2009	1,922,941	94,611	1,297,091	38,904	3,353,547
At 01 January 2010	1,922,941	94,611	1,297,091	38,904	3,353,547
Service costs	54,000	–	(89,122)	25,495	(9,627)
Actuarial gains	(57,045)	–	–	–	(57,045)
Changes recognized in personnel expenses	(3,045)	–	(89,122)	25,495	(66,672)
Interest costs	97,403	–	65,242	3,303	165,948
Exchange effects PLN/EUR	799	3,533	–	–	4,333
At 31 December 2010	2,018,099	98,144	1,273,211	67,702	3,457,155

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

	2010	2009	2008	2007	2006
• Defined benefit obligations	3,457,155	3,353,547	3,528,300	3,047,836	3,112,611
• Actuarial (gains)/losses	(57,045)	(54,307)	(52,580)	(496,664)	53,609

21.2. Other provisions

EUR	Current	Non-current	Total
At 1 January 2009	816,361	555,526	1,371,887
Changes in the scope of consolidation	(22,745)	–	(22,745)
Utilized	(283,327)	(201,614)	(484,941)
Additions	4,157,775	–	4,157,775
Release	–	(353,913)	(353,913)
Exchange adjustments	(1,606)	–	(1,606)
At 31 December 2009	4,666,457	–	4,666,457
At 01 January 2010	4,666,457	–	4,666,457
Changes in the scope of consolidation	(1,046,572)	–	(1,046,572)
Utilized	(3,205,867)	–	(3,205,867)
Additions	883,285	–	883,285
Exchange adjustments	(574)	–	(574)
At 31 December 2010	1,296,730	–	1,296,730

It is anticipated that these liabilities will lead to cash outflows within the next twelve months.

[22] Trade payables and other current liabilities

	2010	2009
Trade payables	7,846,234	14,940,602
Interest-bearing construction invoices from the completion of the andel's Łódź	–	12,453,281
Trade payables due to joint ventures	687,881	642,459
Trade payables due to related parties	1,571,463	966,239
Purchase price obligations for investments	237,500	1,966,590
Other payables	3,446,598	3,654,211
Advance payments received	832,024	901,896
	14,621,701	35,525,278
Other non-current liabilities		
Security deposits received	560,583	592,694
Leasing obligations (operating)	13,418	24,956
Purchase price adjustment for andel's Berlin (discounted)	774,564	638,387
Interest-bearing construction invoices from the completion of the andel's Łódź	8,149,039	–
	9,497,604	1,256,038

Other payables contain tax liabilities of EUR 450,976 (previous year: EUR 139,553), liabilities for social security contributions of EUR 610,431 (previous year: EUR 478,807) and accruals for compensated absences of EUR 401,070 (previous year: EUR 412,635).

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

Trade payables are non-interest-bearing and are normally settled within 10 to 60 days. Current tax liabilities and liabilities for social security contributions are non-interest-bearing, except for late payment. These liabilities are generally due within 30 days. Other liabilities are non-interest-bearing and also contain liabilities owed to employees for wages and salaries for December 2010.

Invoices from the general contractor for the construction of the andel's hotel Łódź totalling EUR 8.15 million (previous year: EUR 12.45 million) are still outstanding. The payment deadline was extended to 30 June 2012; the interest rate is 5.4%.

[23] Other commitments, litigation and contingencies

23.1. Litigation

No material litigation was under way as of the end of the reporting period.

23.2. Contractual obligations

In connection with Prozna Properties Sp.z.o.o., which was sold during the reporting period, Warimpex has entered into an obligation to convert the sold property into a first-class office building. This work will be completed on 31 December 2012. The office building will be rented by Warimpex after completion.

23.3. Contractual bonds and guarantees

Contingent liability as explained in Note 23.4.	EUR 1,000,000
Relating to the sale of andel's hotel Krakow	
Garantee as explained in Note 23.5.	EUR 3,000,000
Obligation in connection with the Euro Disney hotel Paris	
Garantee as explained in Note 23.8.	EUR 25,549,296
Obligation in connection with the Magic Circus Hotel, Paris	
Garantee as explained in Note 23.9.	EUR 10,496,068
Obligations related to the Airport City project in St. Petersburg	
Guarantee as explained in Note 23.7.	EUR 500,000

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 2010.

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 the previous reporting period 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 12 years and ends on 30 September 2017.

23.7. OAO Avielen AG

Long-term financing was arranged for the project during reporting period. The conditions for payout were met in January 2011. The joint venture had an outstanding bridge loan in the amount of EUR 10 million on the reporting date; the joint venture partners are liable for this loan in the amount of their shares in the venture. The commitment that Warimpex has entered into for this bridge loan is greater than its 5% stake in the joint venture. This guarantee had already expired at the time that the financial statements were prepared.

23.8. Euro Disney 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% share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognized on the balance sheet totalled EUR 25.5 million on the reporting date (previous year: EUR 26.4 million).

23.9. 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% share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognized on the balance sheet totalled EUR 10.5 million on the reporting date (previous year: EUR 10.6 million).

[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% of the shares in Warimpex Finanz- und Beteiligungs AG and 30.4% of the shares in Vienna International AG. Amber Privatstiftung is a related party due to Georg Folian being a member of its board of trustees.

Bocca Privatstiftung
A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178104v, Commercial Court Vienna), as of the reporting date holds 10.6% of the shares in Warimpex Finanz- und Beteiligungs AG and 30.4% of the shares in Vienna International AG. Bocca Privatstiftung is a related party due to Franz Jurkowitsch being a member of its board of trustees.

Franz Jurkowitsch
Is a director of the Company and owns 14.0% of its shares as of the reporting date.

Georg Folian
Is a director of the Company and owns 14.1% of its shares as of the reporting date.

Alexander Jurkowitsch
Is a director of the Company and owns 0.6% of its shares as of the reporting date.

Christian Fojtl
Is a director of the Company and owns 0.5% of its shares as of the reporting date.

Additionally, Christian Fojtl is the economic beneficiary of Homeinvestments Sp.zo.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.

All subsidiaries, joint ventures and associated companies (See Note 3)

24.1. Transactions with Amber/Bocca Privatstiftung

As part of the option for Wiener Städtische Versicherung AG described in Note 26.4., the shareholders Amber Privatstiftung and Bocca Privatstiftung issued a performance bond free of charge for the benefit of Wiener Städtische Versicherung AG.

No other transactions were effected in the reporting period.

24.2. Transactions with directors who hold substantial shareholdings in the Company	2010	2009
Balances at 1 January	(2,151)	(8,645)
Bonus	(153,000)	–
± Payments received and made	911	6,494
Balances at 31 December	(154,240)	(2,151)

24.3. Transactions with other directors	2010	2009
Balances at 1 January	(658)	(562)
Bonus	(102,000)	–
± Payments received and made	(461)	(96)
Balances at 31 December	(103,119)	(658)

As of the reporting date, Homeinvestment Sp.z.o.o. held a 10% minority interest in EI Invest Sp.z.o.o. and roughly 1% of the GATX project.

24.4. Transactions with Vienna International AG	2010	2009
Balances at 1 January	(962,718)	(937,285)
Charged management fees	(4,872,713)	(4,019,642)
± Payments received and made	4,522,076	3,994,209
Balances at 31 December	(1,313,355)	(962,718)

24.5. Joint ventures	2010	2009
Revenues from transactions with joint ventures – Note 7.01.	368,585	312,089
Loans given to joint ventures – Note 20.6.	46,838,091	49,152,575
Interest income on loans given to joint ventures – Note 7.07.	2,381,462	2,295,171
Loans received from joint ventures and joint venture partners – Note 20.6.	(35,690,602)	(40,401,793)
Interest expense on loans received from joint ventures – Note 7.06.	(793,846)	(1,084,691)

24.6. Other disclosures

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

- Heinrich Geyer, Chairman of the Supervisory Board until 2 June 2010 (thereafter Second Deputy Chairman of the Supervisory Board)
- Günter Korp, Member until 2 June 2010 (thereafter Supervisory Board Chairman)
- Wolfgang Mitterberger, Deputy Chairman of the Supervisory Board
- Viktor Igalffy-Igaly, Member until 31 December 2010
- William Henry Marie de Gelsey, Member
- Harald Wengust, Member

Fees paid to members of the Supervisory Board of Warimpex Finanz- und Beteiligungs AG amounted to EUR 95,000 (previous year: EUR 72,000). The total amount of compensation due to the directors for the reporting year amounted to EUR 1,237,240 (previous year: EUR 1,060,011). See the additional information in Note 7.03. Of the expenses in the period for pensions and severance payments, EUR 230,016.93 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 2010	From interest		From revaluation		
EUR millons		At fair value	Currency translation	Impairment write-downs	Net result 2010
Loans and receivables (LaR)	(0.7)	–	–	–	(0.7)
Available for sale assets (AfS)	–	–	–	–	–
Financial liabilities at amortized cost (FL)	(18.8)	–	–	–	(18.8)

Net result by classification categories 2009	From interest		From revaluation		
EUR millons		At fair value	Currency translation	Impairment write-downs	Net result 2009
Loans and receivables (LaR)	(1.7)	–	–	–	(1.7)
Available for sale assets (AfS)	0.2	–	–	0.6	0.8
Financial liabilities at amortized cost (FL)	(17.7)	–	–	–	(17.7)

Financial instruments by categories and classes

EUR millions Classification category acc. to IAS 39		Carrying value 31/12/2010	At amortized cost	Fair value in equity	Fair value in P & L	Recognition acc. to IAS 17	Fair value 31/12/2010
LaR	Cash and cash equivalents	10.8	10.8				10.8
LaR	Trade and other receivables *)	7.3	7.3				7.3
LaR	Other financial assets	62.6	62.6				62.6
AfS	Financial instruments available for sale	3.4		3.4			3.4
HfT	Derivative financial instruments	0.0		–	0.0		0.0
	Derivative financial instruments in hedging transactions	–		–			–
Total financial assets		**84.1**	**80.6**	**3.4**	**0.0**	**–**	**84.1**
FL	Trade and other other payables **)	12.3	12.3				12.3
	Derivative financial instruments in hedging transactions	0.5		0.5			0.5
FL	Interest-bearing loans and borrowings	397.9	397.9				391.6
	Liabilities from finance leases	36.0				36.0	36.0
Total financial liabilities		**446.8**	**410.2**	**0.5**	**–**	**36.0**	**440.5**

Financial instruments by categories and classes – previous year

EUR millions Classification category acc. to IAS 39		Carrying value 31/12/2009	At amortized cost	Fair value in equity	Fair value in P & L	Recognition acc. to IAS 17	Fair value 31/12/2009
LaR	Cash and cash equivalents	11.9	11.9				11.9
LaR	Trade and other receivables *)	7.8	7.8				7.8
LaR	Other financial assets	67.4	67.4				67.4
AfS	Financial instruments available for sale	–		–			–
HfT	Derivative financial instruments	0.1		–	0.1		0.1
	Derivative financial instruments in hedging transactions	–		–			–
Total financial assets		**87.3**	**87.2**	**–**	**0.1**	**–**	**87.3**
FL	Trade and other other payables **)	33.6	33.6				33.6
	Derivative financial instruments in hedging transactions	0.5		0.5			0.5
FL	Interest-bearing loans and borrowings	406.7	406.7				403.3
	Liabilities from finance leases	37.1				37.1	37.1
Total financial liabilities		**477.8**	**440.3**	**0.5**	**–**	**37.1**	**474.4**

*) The trade and other receivables (see Note 17) contain non-financial assets in the amount of EUR 1.6 million (previous year: EUR 8.2 million).
**) The trade and other payables (see Note 22) contain non-financial assets in the amount of EUR 2.3 million (previous year: EUR 1.9 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 2 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 37.1% (previous year: 39.4%) of the Company's debt obligations were fixed-rate obligations as at 31 December 2010.

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. The effects on Group equity amount to EUR 0.1 million (previous year: EUR 0.07 million).

	Increase/reduction in basis points	Impact on pre-tax profit/loss
2010		
Euribor	+50	(1,983,696)
CHF-Vibor	+50	(39,525)
WIBOR	+50	(784)
Euribor	– 50	1,983,696
CHF-Vibor	– 50	39,525
WIBOR	– 50	784
2009		
Euribor	+50	(2,091,605)
CHF-Vibor	+50	(40,600)
WIBOR	+50	(2,775)
Euribor	– 50	2,091,605
CHF-Vibor	– 50	40,600
WIBOR	– 50	2,775

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 4,272,202 (previous year: EUR 358,553) 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.

The currency denominations of financial liabilities break down as follows:

	2010	2009		**2010**	2009
CHF	34,507,349	33,036,062	in EUR	27,597,048	22,267,499
PLN	515,215	1,988,571	in EUR	130,095	484,049
			in EUR	446,231,933	466,359,805
				473,959,076	489,111,353

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 53.9% (previous year: 55.6%) of personnel expenses; 56.4% (previous year: 58.7%) of expenses for material and services received, 0.0% (previous year: 13.7%) of development costs and 37.5% (previous year: 17.2%) of other expenses accrue in currencies other than the functional currency of the cost-generating operating unit; whereas about 95% (previous year: 95%) of revenues are generated in the functional currency of the respective operating unit.

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 Group equity.

		CHF ±5%	CZK ±5%	PLN ±5%	RON ±5%	HUF ± 5%	RUB ± 10%	Total
Sensitivity 2010	+	(369,393)	(1,130,660)	(1,149,046)	(83,536)	(15,265)	7,609	(2,740,290)
	–	369,393	1,108,351	1,127,492	81,697	14,973	(7,609)	2,694,297
Sensitivity 2009	+	(365,108)	(1,089,771)	(877,453)	(97,650)	(35,979)	13,870	(2,452,091)
	–	365,108	1,068,053	859,906	95,589	35,371	(13,922)	2,410,105

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 ± 10%	Total
Sensitivity 2009	+	(59,022)	390,216	5,091	14,397	33,894	384,575
	–	59,022	(390,216)	(5,091)	(14,397)	(33,894)	(384,575)
Sensitivity 2009	+	(78,468)	588,131	(165)	16,095	(86,591)	439,002
	–	78,468	(588,131)	165	(16,095)	86,591	(439,002

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.

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 rent 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.

Uniform Group accounting guidelines require that the share of debt capital falling due within 12 months should not exceed 35% of total interest-bearing loans and borrowings. At 31 December 2010, the share falling due within one year amounted to 19.4% (previous year: 20.7%).

A convertible bond may also be issued to raise financing. If these measures are not sufficient, projects must be sold to obtain additional liquidity.

At 31 December 2010, the maturity structure of the Group's debt obligations was as shown below. The figures are stated on the basis of contractual non-discounted payments.

Financial year ended 31 December 2010

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	86,262	114,867	85,095	140,671	80,716	507,612
Other liabilities (non-current)	–	8,149	980	903	–	10,032
Trade and other payables and other liabilities	14,622	–	–	–	–	14,622
Derivative financial instruments	–	–	–	–	–	–
Income tax payable	200	–	–	–	–	200
	101,084	123,016	86,075	141,574	80,716	532,465

Financial year ended 31 December 2009

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	81,627	85,991	128,024	157,108	77,029	529,778
Other liabilities (non-current)	–	–	980	791	–	1,771
Trade and other payables and other liabilities	35,525	–	–	–	–	35,525
Derivative financial instruments	–	–	–	–	–	–
Income tax payable	181	–	–	–	–	181
	117,334	85,991	129,004	157,899	77,029	567,256

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 for dividend payments.

The Group monitors its capital on the basis of its equity ratio, which should be between 20% and 40%. Because of the international real estate and financial crisis, substantial impairment charges had to be recognized in the previous reporting period, making it impossible to reach this goal for the first time. A moderate recovery was seen in the reporting period, and some of the impairment write-downs from the previous year were reversed. The equity ratio improved by 48.1%, increasing from 9.8% in 2009 to 14.6% in the reporting period, whereby this rise can primarily be attributed to the reversal of impairment charges.

[26] Financial instruments

Primary financial instruments of the Group comprise 'Financial instruments available for sale', 'Trade receivables' and 'Cash and short-term deposits' on the asset side. As regards liabilities, 'Interest-bearing loans and borrowings' and 'Trade and other payables' are classified as 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	
	2010	2009	**2010**	2009
Financial assets				
Cash and short-term deposits	10,793,875	11,933,442	10,793,875	11,933,442
Other financial assets	62,552,132	67,421,539	62,552,132	67,421,539
Derivative financial instruments	42,093	84,241	42,093	84,241
	73,388,099	79,439,222	73,388,099	79,439,222
Financial liabilities				
Current loans	(253,137)	(819,641)	(253,137)	(819,641)
Derivative financial instruments	(1,591,624)	(467,205)	(1,591,624)	(467,205)
Variable-rate loans	(345,441,363)	(359,278,471)	(339,703,666)	(351,919,052)
Fixed-rate loans	(83,725,000)	(84,250,000)	(87,904,870)	(88,463,772)
	(431,011,124)	(444,815,318)	(429,453,297)	(441,669,670)

The fair value of loans was determined by comparing the future cash flows on the basis of the existing terms at 31 December 2010 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 debt 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 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.

Amounts in EUR '000 for the financial year **ended 31 Dec. 2010**	Within 1 year	2012	2013	2014	2015	Over five years	Total
Cash and short-term deposits	10,794	–	–	–	–	–	10,794
Bridge loans	(8,503)	–	–	–	–	–	(8,503)
Finance leases	(993)	(1,016)	(1,039)	(1,063)	(1,088)	(30,846)	(36,045)
Loans where there is a breach of the loan agreement as of the balance sheet date	(6,466)	–	–	–	–	–	(6,466)
Overdrafts	(49,722)	(768)	(20,209)	–	–	–	(70,698)
Total current	(54,890)	(1,784)	(21,248)	(1,063)	(1,088)	(30,846)	(110,918)
Diplomat (until 2017)	(2,930)	(3,011)	(3,095)	(3,181)	(3,269)	(13,581)	(29,065)
Palace (until 2017)	(2,754)	(1,392)	(1,402)	(1,442)	(1,522)	(5,013)	(13,525)
Chopin (until 2016)	(728)	(773)	(822)	(873)	(928)	(6,570)	(10,694)
angelo Prague (until 2016)	(628)	(651)	(680)	(708)	(737)	(7,847)	(11,252)
Amber Baltic (until 2016)	(616)	(616)	(616)	(616)	(616)	(4,310)	(7,388)
Savoy (until 2016)	(896)	(921)	(947)	(973)	(1,000)	(540)	(5,276)
Dvořák (until 2016)	(1,167)	(1,167)	(1,167)	(1,167)	(1,167)	(13,322)	(19,156)
Elsbet (until 2016)	(3,956)	(240)	(254)	(270)	(287)	(6,631)	(11,638)
Thereof bridge loan	*3,678*	–	–	–	–	–	*3,678*
angelo Munich (until 2012)	–	(15,681)	–	–	–	–	(15,681)
angelo Plzeň (until 2013)	(240)	(315)	(5,742)	–	–	–	(6,297)
angelo Ekaterinburg (until 2013)	(1,600)	(2,125)	(1,688)	(31,900)	–	–	(37,312)
Sobieski (until 2012)	(188)	(7,814)	–	–	–	–	(8,001)
Parkur Tower (until 2016)	(208)	(2,219)	(234)	(248)	(263)	(2,001)	(5,173)
Gas pipeline (2012)	(57)	(57)	(16)	–	–	–	(130)
angelo airport Bucharest (until 2013)	(635)	(1,271)	(9,094)	–	–	–	(11,000)
Sienna (until 2016)	(1,250)	(1,250)	(1,250)	(1,438)	(1,688)	(21,923)	(28,798)
Louvre sub-group	–	(190)	(773)	(792)	(812)	971	(1,597)
angelo Katowice (2024)	(195)	(390)	(480)	(540)	(560)	(7,993)	(10,158)
andel's Łódź (2023)	(1,100)	(1,350)	(1,500)	(1,600)	(1,800)	(42,650)	(50,000)
andel's Berlin (2023)	(750)	(625)	(950)	(1,175)	(1,275)	(28,950)	(33,725)
Total non-current	(16,219)	(42,057)	(30,708)	(46,922)	(15,923)	(160,360)	(312,189)
Total	**(71,109)**	**(43,841)**	**(51,957)**	**(47,985)**	**(17,011)**	**(191,205)**	**(423,107)**

26.2. Interest rate risk of primary financial instruments – continued

Amounts in EUR '000 for the financial year **ended 31 Dec. 2009**	Within 1 year	2011	2012	2013	2014	Over five years	Total
Cash and short-term deposits	11,933	–	–	–	–	–	11,933
Bridge loans	–	–	–	–	–	–	–
Finance leases	(1,502)	(1,536)	(1,570)	(1,606)	(1,642)	(29,195)	(37,051)
Loans where there is a breach of the loan agreement as of the balance sheet date	(6,762)	–	–	–	–	–	(6,762)
Overdrafts	(49,864)	–	–	–	–	–	(49,864)
Total current	(46,195)	(1,536)	(1,570)	(1,606)	(1,642)	(29,195)	(81,743)
Diplomat (until 2017)	(2,850)	(2,929)	(3,010)	(3,094)	(3,180)	(16,849)	(31,912)
Palace (until 2017)	(1,372)	(1,382)	(1,392)	(1,402)	(1,442)	(6,535)	(13,525)
Chopin (until 2016)	(674)	(717)	(762)	(810)	(860)	(7,566)	(11,389)
angelo Prague (until 2016)	(602)	(628)	(651)	(680)	(708)	(8,584)	(11,854)
Amber Baltic (until 2016)	(1,168)	(1,168)	(1,168)	(1,168)	(1,168)	(1,460)	(7,302)
Savoy (until 2016)	(858)	(881)	(906)	(931)	(957)	(2,132)	(6,665)
Dvořák (until 2016)	(1,167)	(1,167)	(1,167)	(1,167)	(1,167)	(13,914)	(19,747)
Elsbet (until 2016)	(4,196)	(314)	(334)	(335)	(377)	(6,276)	(11,832)
angelo Munich (until 2013)	–	–	–	(15,681)	–	–	(15,681)
angelo Plzeň (until 2014)	(140)	(190)	(290)	(340)	(5,494)	(5)	(6,461)
angelo Ekaterinburg (until 2013)	(1,038)	(1,600)	(2,125)	(33,932)	–	–	(38,694)
Sobieski (until 2021)	(188)	(188)	(7,772)	–	–	–	(8,147)
Parkur Tower (until 2016)	(2,058)	(208)	(219)	(234)	(248)	(2,428)	(5,394)
Gas pipeline (2012)	(55)	(55)	(74)	–	–	–	(183)
angelo airport Bucharest (until 2013)	–	(635)	(1,271)	(10,094)	–	–	(12,000)
Sienna (until 2016)	(1,188)	(1,250)	(1,250)	(1,250)	(1,438)	(23,639)	(30,014)
angelo Katowice (2024)	2,661	(195)	(390)	(480)	(540)	(8,548)	(7,492)
andel's Łódź (2023)	–	(1,100)	(1,225)	(1,425)	(1,550)	(44,700)	(50,000)
andel's Berlin (2023)	(500)	(500)	(750)	(1,150)	(1,200)	(30,150)	(34,250)
Total non-current	(15,393)	(15,108)	(24,756)	(74,173)	(20,329)	(172,784)	(322,543)
Total	**(61,587)**	**(16,644)**	**(26,326)**	**(75,779)**	**(21,971)**	**(201,979)**	**(404,286)**

26.3. Interest rate collars in connection with finance loans

As of 31 December 2009, 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:

	2010	2009
Project loan Le Palais Hotel, Prague (until 31.12.2010)		
Underlying: 3-month EURIBOR 5.75%		
Notional amount at 31 December	6,465,657	6,461,657
Fair value at 31 December	expired	–
Project loan Chopin Hotel, Krakow (until 30.09.2016)		
Underlying: 3-month EURIBOR 3.91%		
Notional amount at 31 December	10,694,351	11,388,959
Fair value at 31 December	(547,624)	(467,205)
Project loan angelo hotel, Prague (until 31.12.2014)		
Underlying: 3-month EURIBOR 4%		
Notional amount at 31 December	11,251,598	11,853,742
Fair value at 31 December	42,093	84,241
Project loan Sobieski Hotel, Warsaw (expired in January 2010)		
(adjusted for the Group's share)		
Underlying: 3-month EURIBOR (3.866%/4.5%)		
Notional amount at 31 December	8,001,413	8,146,963
Fair value at 31 December	–	–

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 instrument 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

As part of the capital increase on 11 May 2010, Wiener Städtische Versicherung AG was granted the right to purchase 1,440,000 shares at a price of EUR 2.00 per share within 24 months after the completion of the capital increase, 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 as consideration for the assumption of a placement guarantee.

The volatility used to determine the fair value of the option is primarily derived from the historical volatility.

This option (IFRS 2) was open with the following parameters on the reporting date:

Share price (underlying)	EUR 2.68	
Execution price	EUR 2.00	
Risk-free interest rate	0.6%	
Expected volatility	35.0%	
Option term	14.05.2012	
Earliest possible execution date	15.05.2010	
Expected dividend payment	None	
Value as at 31 December 2010 (reported under the derivative financial instruments)		(1,044,000)
The value at the time of conclusion was		(705,600)
Intrinsic value of the debts on 31.12.2010		(979,200)

[27] Events after the balance sheet date

No material events that would have led to changes in the depiction of the Company's financial and earnings position occurred after the reporting date.

Vienna, 25 March 2011

Franz Jurkowitsch
Chairman of the Management Board

Georg Folian
Deputy Chairman of the Management Board

Christian Fojtl
Member 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, 2010 to December 31, 2010. These consolidated financial statements comprise the consolidated balance sheet as of December 31, 2010, 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, 2010, 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, 2010 and of its financial performance and its cash flows for the fiscal year from January 1, 2010 to December 31, 2010 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, March 25, 2011

WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH

ERNST & YOUNG

HELMUT MAUKNER MP	PPA HANS-ERICH SORLI MP
Certified Auditor	Certified Auditor

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.

Vienna, 25 March 2011

Franz Jurkowitsch
Chairman of the Management Board
Responsibilities:
Strategy, investor relations and
corporate communications

Georg Folian
Deputy Chairman of the Management Board
Responsibilities:
Finance and accounting
financial management and personnel

Christian Fojtl
Member of the Management Board
Responsibilities:
Information management,
organization and legal issues

Alexander Jurkowitsch
Member of the Management Board
Responsibilities:
Planning, construction and IT

REPORT BY THE SUPERVISORY BOARD

The Management Board informed the Supervisory Board of Warimpex Finanz- und Beteiligungs AG of all significant business activities, the development of business and the Company's situation at regular meetings during the 2010 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. 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 discussed in the Supervisory Board meetings was the economic and structural changes in 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.

Warimpex has undertaken to comply with the Austrian and Polish codes of corporate governance. The Supervisory Board faithfully fulfilled the duties and responsibilities laid down in these codes and also monitored the Company's compliance with these codes. The articles of association and the terms of reference of the Management Board and Supervisory Board are regularly amended to account for changes in these codes. In line with the provisions of the Issuer Compliance Ordinance, the Compliance Officer's annual report was submitted to the Supervisory Board and discussed.

Five Supervisory Board meetings were held in financial year 2010. All members of the Supervisory Board fulfilled the legally required minimum attendance requirements. Some decisions were made by way of circular resolution.

The annual financial statements and consolidated financial statements for the year ended 31 December 2010 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H., the auditor chosen in accordance with § 270 of the Uniform Commercial Code. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that unqualified auditors' reports were issued.

The annual financial statements were reviewed by the Audit Committee at its meeting on 25 March 2011, and their acceptance was proposed to the Supervisory Board. The Supervisory Board reviewed and approved the 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 2010.
These annual financial statements are hereby approved according to § 125 Stock Corporation Act (AktG).

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

Victor Igalffy-Igally, member of the Supervisory Board since 1994, stepped down from the Board at the end of 2010 due to his retirement. The Supervisory Board thanks him for his many years of work and his dedication.

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

Vienna, 25 March 2011

Günter Korp
Chairman of the Supervisory Board

SELECTED WARIMPEX GROUP PROPERTIES

1) Le Palais Hotel***, Prague**
CZ-120 00 Prague 2, U Zvonařky 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**^{S}, Berlin**
D-10407 Berlin,
Landsberger Allee 106
557 rooms (opened in March 2009)

6) andel's hotel**, Łódź**
PL-91 065 Łódź, ol. Ogrodowa 17
278 rooms (opened in June 2009)

7) angelo Airporthotel**,**
Ekaterinburg-Koltsovo
RU-Airport Ekaterinburg-Koltsovo
203 rooms (opened in September 2009)

6

WWW.WARIMPEX.COM

Financial calendar

29 March 2011	Publication of the annual report for 2010
27 May 2011	Publication of the results for the first quarter of 2011
3 May 2011	Annual general meeting
30 August 2011	Publication of results for the first half of 2011
29 November 2011	Publication of the results for the third quarter of 2011

Published by: Warimpex Finanz- und Beteiligungs AG, Floridsdorfer Hauptstraße 1, A-1210 Vienna, www.warimpex.com
Investor Relations: Daniel Folian, tel. +43 1 310 55 00-156, investor.relations@warimpex.com
Photos: Warimpex