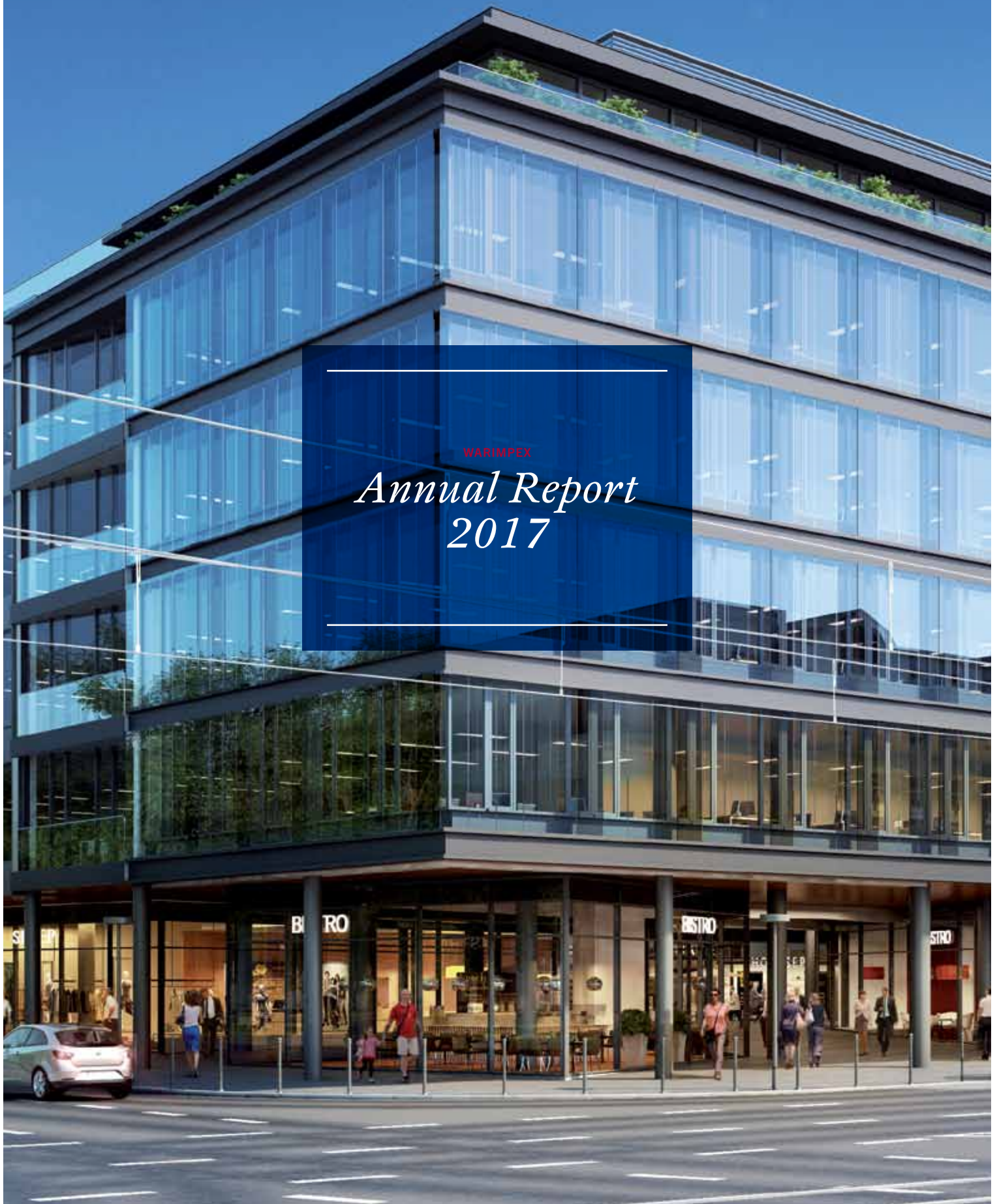


warimpex

WARIMPEX

*Annual Report*  
2017



## WARIMPEX GROUP

## Key Figures

in EUR '000	2017	Change	2016
Hotels revenues	27,509	-47%	51,864
Investment Properties revenues	13,190	54%	8,580
Development and Services revenues	1,668	-5%	1,757
<i>Total revenues</i>	<i>42,367</i>	<i>-32%</i>	<i>62,201</i>
Expenses directly attributable to revenues	-21,955	-39%	-35,967
<i>Gross income from revenues</i>	<i>20,412</i>	<i>-22%</i>	<i>26,235</i>
Gains or losses from the disposal of properties	26,575	206%	8,674
EBITDA	33,605	57%	21,450
Depreciation, amortisation, and remeasurement	21,098	392%	4,285
EBIT	54,704	113%	25,735
Earnings from joint ventures	2,590	–	-1,156
Profit for the period (annual result)	40,496	77%	22,862
Profit or loss for the period (shareholders of the parent)	40,542	133%	17,423
Net cash flow from operating activities	12,002	-7%	12,958
Equity and liabilities	265,254	-26%	357,886
Equity	83,481	94%	43,058
Share capital	54,000	–	54,000
Equity ratio	32%	20 pp	12%
Adjusted equity ratio <sup>1</sup>	36%	18 pp	18%
Average number of shares in the financial year	54,000,000	–	54,000,000
Earnings per share in EUR	0.75	133%	0.32
Number of shares on 31 December	54,000,000	–	54,000,000
Number of hotels	6	-8	14
Number of rooms (adjusted for proportionate share of ownership)	892	-1,612	2,504
Number of office and commercial properties	6	2	4
Lettable office space (adjusted for proportionate share of ownership)	40,100 m <sup>2</sup>	43%	28,000 m <sup>2</sup>
<b>Segment information (including joint ventures on a proportionate basis):</b>			
Hotels revenues	58,864	-28%	81,773
Net operating profit (NOP)	15,685	-38%	25,134
NOP per available room	9,317	2%	9,109
Investment Properties revenues	17,354	81%	9,614
Investment Properties EBITDA	13,862	98%	6,987
Development and Services revenues	2,767	19%	2,321
Gains or losses from the disposal of properties	26,575	194%	9,050
Development and Services EBITDA	18,096	1,039%	1,589
Average number of employees in the Group	578	-38%	933
	<b>31/12/2017</b>	<b>Change</b>	<b>31/12/2016</b>
Gross asset value (GAV) in EUR millions	202.5	-41%	343.3
Triple net asset value (NNNAV) in EUR millions	129.0	23%	104.7
NNNAV per share in EUR	2.4	26%	1.9
End-of-period share price in EUR	1.43	86%	0.77

<sup>1</sup> Assuming that the property assets are recognised at their fair values



## WARIMPEX ANNUAL REPORT 2017

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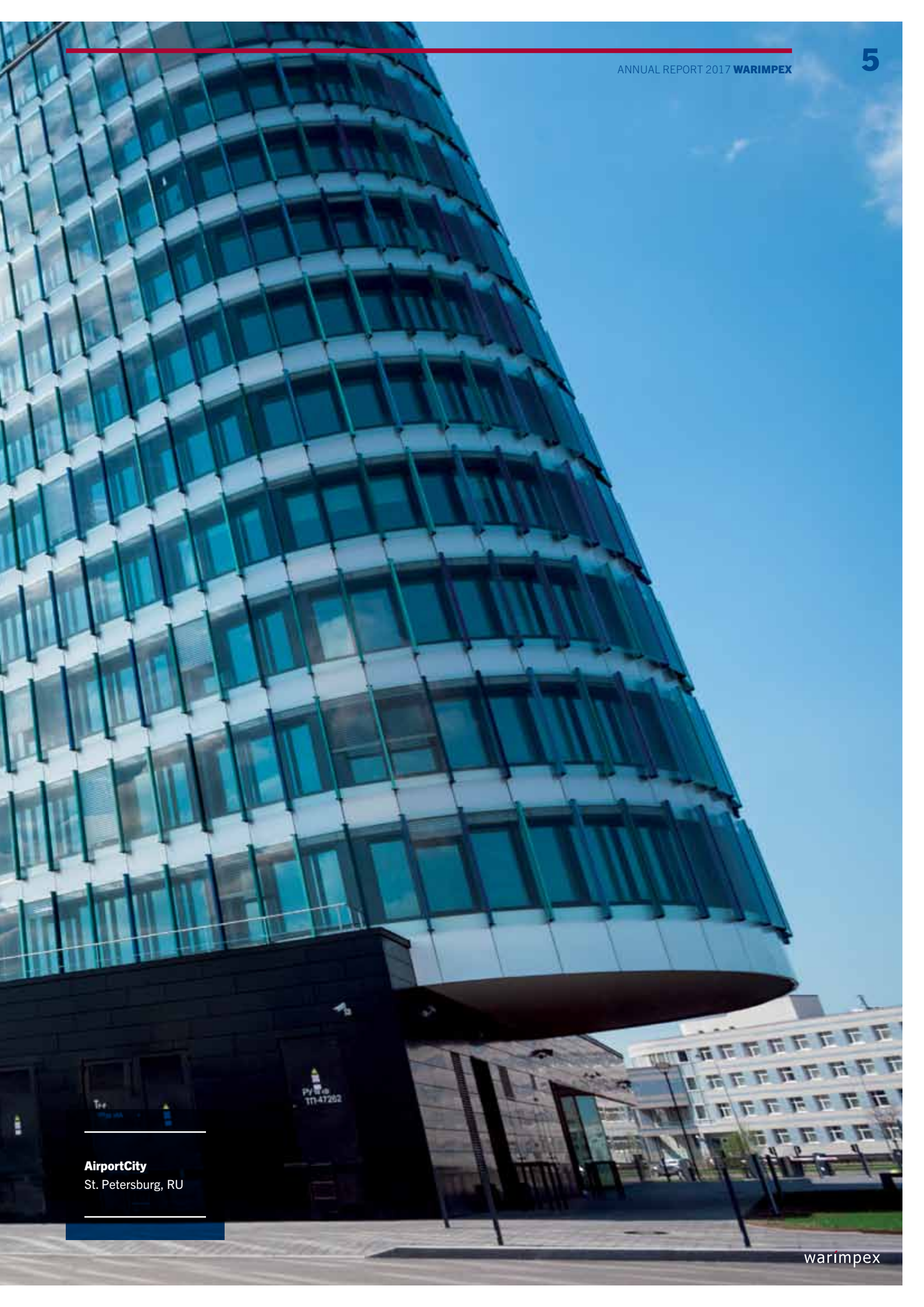
Warimpex is a “hybrid” real estate company, which carries out projects itself as asset manager and property owner until the greatest added value can be generated through sale, and which develops projects with a focus on Central and Eastern Europe.

In this way, the Warimpex Group generates stable cash flows by operating hotels and leasing office space while also realising proceeds from the sale of properties.

Through property management and real estate development, Warimpex has a social, ecological, and economic impact on its environment. Exercising this influence is a great responsibility, which we accept and understand as an integral part of our corporate culture, but also as the cornerstone of our success.

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**AirportCity**  
St. Petersburg, RU

WARIMPEX

## *An Overview*

### **Evolution of the Warimpex Group**

Warimpex was founded in 1959 by Stefan Folian as an import/export and transit trading company. From 1982 onwards, under the management of Georg Folian and Franz Jurkowitsch, the Company started to specialise in real estate projects in Central and Eastern Europe. Since that time, 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, Budapest, St. Petersburg, and Warsaw. Warimpex is also building upon its successful, long-standing cooperative projects with international hotel groups such as Vienna House, InterContinental Group, Kempinski, and Sheraton.

As at the end of 2017, Warimpex was the owner, co-owner, or leaseholder of six hotels with a total of 1,600 rooms (roughly 900 rooms when adjusted for the proportionate share of ownership), plus six commercial and office buildings with a total floor area of some 60,100 square metres (roughly 40,100 square metres when adjusted for the proportionate share of ownership) in Poland, the Czech Republic, Russia, Hungary, France, and Austria.

# Highlights

2017

## Operational highlights

### 5/2017

Handover of the Bykovskaya multi-use building at AIRPORTCITY St. Petersburg

### 5/2017

Warimpex closes sale of eight hotels

### 7/2017

Start of construction for Mogilska 43 office building, Krakow

### 7/2017

Warimpex redeems roughly EUR 27 million in bonds early

### 9/2017

Georg Folian announces resignation from Management Board effective 31 December 2017

### 12/2017

Daniel Folian appointed new CFO of Warimpex

### 12/2017

Warimpex acquires Mogilska 41 office building in Krakow

### 12/2017

Warimpex concludes lease for Mogilska 43 in Krakow

## Financial highlights

- Revenue of EUR 42.4 million
- Gross income from revenues of EUR 20.4 million
- EBITDA boosted from EUR 21.5 million to EUR 33.6 million due to hotel sales
- Depreciation, amortisation, and remeasurement up from EUR 4.3 million to EUR 21.1 million
- EBIT of EUR 54.7 million
- Profit for the financial year of EUR 40.5 million
- Property assets of EUR 202 million
- Triple net asset value (NNNAV) per share of EUR 2.4



A professional portrait of Franz Furkowitsch, an older man with grey hair, wearing round glasses, a white shirt, a striped tie, and a light-colored suit jacket. He is smiling slightly and looking towards the camera. The background is a plain, light color.

*Franz  
Furkowitsch*

CHAIRMAN OF THE MANAGEMENT BOARD



## FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

*Dear Shareholders,*

Warimpex had an eventful and successful year in 2017. After once again generating a profit in the amount of EUR 22.9 million in the prior year, we achieved the best results since our initial public offering, with a profit of EUR 40.5 million in 2017. These excellent results will allow Warimpex to implement three key measures: new developments that are already under construction or in the planning stage, strategic acquisitions in order to quickly return to a solid level of cash flows, and a commensurate dividend that we plan to propose at the coming Annual General Meeting.

We also set a milestone in the history of our company with the sale of eight hotel holdings to the Thai investor U City at the end of May. This transaction allowed us to accomplish something in one fell swoop that had not been possible at a sufficient return during the economically challenging previous years. This partial portfolio sale not only significantly improved our operating figures and put the Company back on solid footing, but also confirmed the viability of our corporate strategy, which is based on a long-term and flexible approach: to develop hotel and office properties and hold them in our portfolio until the time at which the highest added value can be realised through sale.

Another significant event last year was Georg Folian's decision to resign from his position as Deputy Chairman of Warimpex's Management Board after 46 years with the Company. Georg Folian stepped down from the Management Board effective 31 December 2017 on the eve of his 70th birthday. Daniel Folian succeeded him as CFO and Deputy Chairman of the Management Board. With Daniel Folian, we have an accomplished finance expert on board who has already made a major contribution to the development of the Company in recent years and will help Warimpex continue along the successful path it has embarked upon in the future as well.

The outlook for our markets is also positive. The Eastern European economy is currently enjoying the most robust growth in all of Europe. Higher minimum wages and lower social security costs are bolstering private consumption, which is the foundation for the recovery in the region. This renewed upswing makes us very optimistic and strengthens our confidence in our strategy to continue operating in our core markets even after more than 30 years.

**Company performance in 2017**

The sale of the eight hotel holdings significantly strengthened our financial base. Overall, the consolidated liabilities were reduced by roughly EUR 133 million, resulting in a considerable decline in the interest costs within the Group. Our equity ratio also improved substantially, increasing from 12 per cent in 2016 to 32 per cent in 2017.

At the same time, the elimination of the eight hotel holdings that were sold had a noticeable impact on our operating results – revenues in the Hotels segment fell from EUR 51.9 million to EUR 27.5 million. However, this decline was offset by the increase in revenues from the rental of office properties from EUR 8.6 million to EUR 13.2 million. This can be attributed primarily to the completion of the fully occupied Bykovskaya multi-use building at AIRPORTCITY St. Petersburg. Consolidated revenues contracted from EUR 62.2 million to EUR 42.4 million.

Significant increases in EBITDA (up 57 per cent) and EBIT (up 113 per cent) due to much higher sales proceeds and a positive remeasurement result for our office properties (23 per cent increase in NNAV) led to a profit for the year of EUR 40.5 million (2016: EUR 22.9 million).

**Developments in Łódź, Krakow, and St. Petersburg**

The proceeds from the portfolio sale will allow us to launch new real estate projects and thus achieve organic growth as well as to quickly complete our current developments.

Construction is progressing nicely for the Ogródowa office building in the Polish city of Łódź and the Mogilska office building in Krakow. Leases have already been signed for a portion of the space at both office buildings. Also in Krakow, we are planning the construction of an office building with around 21,000 square metres of space on a development property next to the Chopin Hotel. In Białystok, we own a building plot that was expanded through the purchase of adjacent lots during the reporting period. Four office properties will be built on this site in multiple phases.

At AIRPORTCITY St. Petersburg, we completed the fully occupied Bykovskaya multi-use building and handed it over to the tenant in the spring of 2017. We also hold property reserves for around 150,000 square metres of office space at the site.

### Transactions

In addition to the sale of eight hotel holdings, we concluded several smaller but no less important deals. Along with the properties in Białystok mentioned above, we acquired a fully occupied office building with roughly 5,800 square metres of space in Krakow. Our goal is to use the rental revenue to generate cash flows over the medium term, and we are considering a redevelopment at a later date.

In addition, we purchased the remaining shares in the Bykovskaya multi-use building in St. Petersburg, so the building is now fully owned by the Group.

In early March 2018 – after the reporting date – we signed a contract for the sale of the development property in Budapest, where we were planning a hotel with adjacent apartments. The closing is scheduled for May 2018.

### Outlook

Thanks to all of these positive developments, we are in a solid position for the current financial year. We expect a significant reduction of interest costs over the medium term due to the early redemption of bonds and the elimination of project loans. We plan to reach the same portfolio volume we had before the sale of the hotel holdings by the end of 2019 through selective purchases and construction progress.

We will continue to focus on diversifying our markets and our portfolio in the future, as this strategy has proven very promising up to now.

The issues of sustainability and CSR are also important to us. After all, 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. We have firmly anchored the fulfilment of this responsibility into our corporate culture, and see living up to this responsibility as a central element in our success. With this in mind, we are pleased that this report marks the first time that we have provided more detailed information in this regard.

Finally, I would like to express my sincere gratitude to everyone who supported us and contributed to our success during the reporting period as well as to thank all of our shareholders for their loyalty. I look forward to an exciting year in 2018.

Franz Jurkowitsch







Palais Hansen  
Kempinski\*\*\*\*\*  
Vienna, A



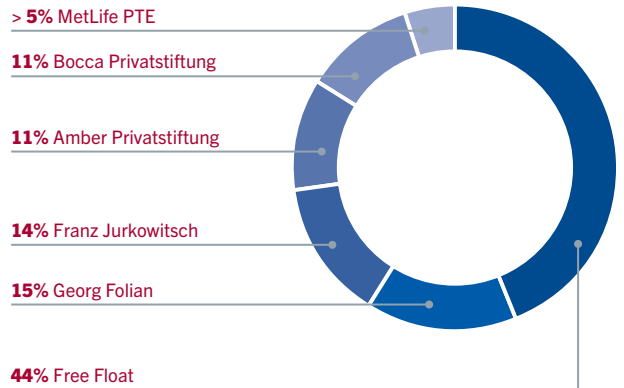
# Investor Relations

The share price was EUR 0.80 and PLN 3.46 at the beginning of the year, and it exhibited an upward trend with a high volume following the announcement of the sale of eight hotels. The closing price at 29 December 2017 was EUR 1.43 and PLN 6.00.

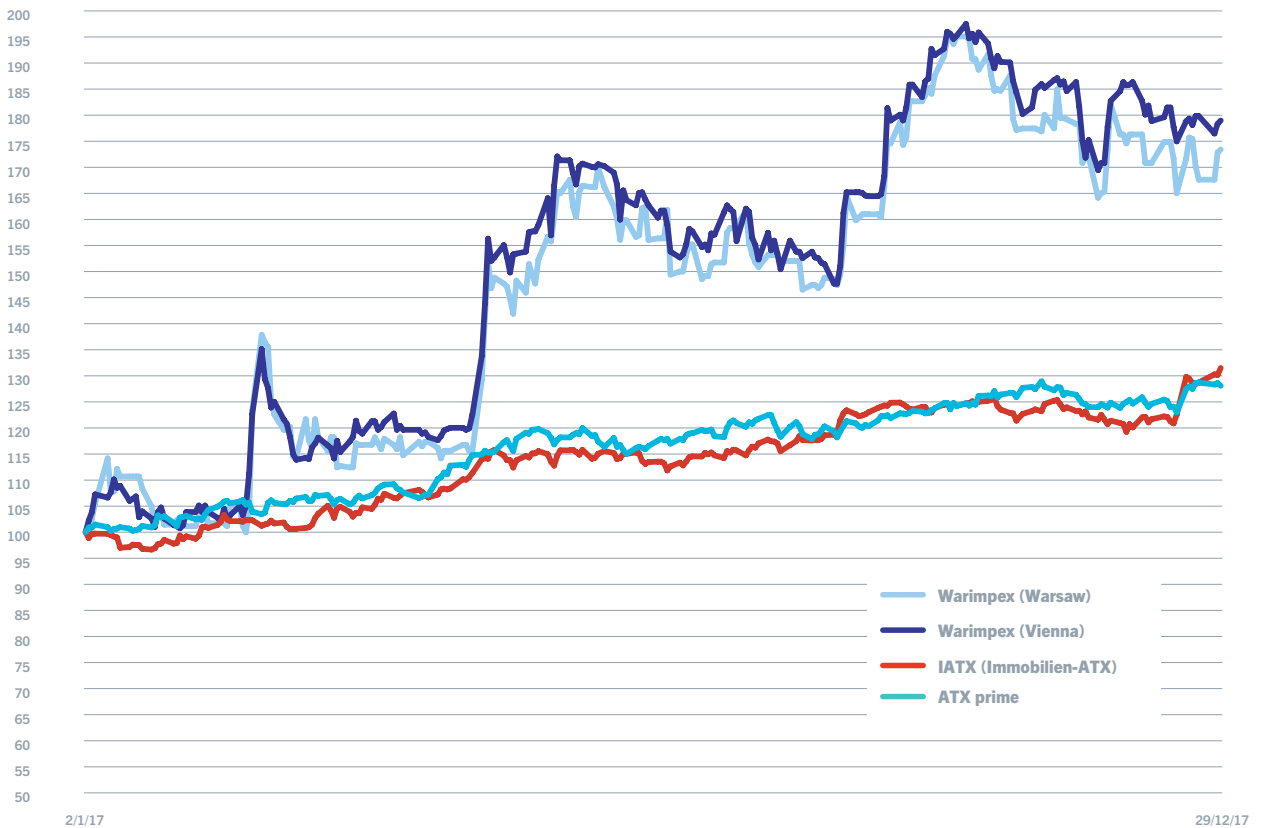
Since our IPO, we have maintained an open and proactive communication policy with our investors. Warimpex participated in investor conferences in Geneva, Zürs, Warsaw, Paris, Frankfurt, Stockholm, Luxembourg, and London in 2017.

The following analysts are covering the Warimpex share: Raiffeisen Centro Bank, SRC Research, and Vestor.

## SHAREHOLDER STRUCTURE AS AT 10 APRIL 2018



## SHARE PRICE PERFORMANCE



**KEY SHARE DATA**

<b>ISIN</b>	AT0000827209
<b>Number of shares on 31/12/17</b>	54,000,000
<b>Ticker symbols</b>	Stock Exchanges WXF Reuters WXFB.VI
<b>High*</b>	EUR 1.58   PLN 6.75
<b>Low*</b>	EUR 0.80   PLN 3.46
<b>Price at 29/12/17</b>	EUR 1.43   PLN 6.00
* Last 52 weeks	

**Warimpex is included in the following indices, among others:**

<b>Vienna</b>	ATX Prime, Immobilien-ATX
<b>Warsaw</b>	Main 50 Plus, WIG, Real Estate Developers
<b>100-day trading average</b>	in Vienna roughly 59,100 shares in Warsaw around 10,800 shares

WARIMPEX

# Corporate Governance Report

## Commitment to the Code of Corporate Governance

Warimpex is committed to compliance with the Austrian Code of Corporate Governance (ACCG) as well as the Polish Best Practice for GPW Listed Companies 2016. The Management Board declares that it complies with both sets of guidelines to the best of its ability and published its corporate governance report at [www.warimpex.com](http://www.warimpex.com) (About us/Corporate Governance). 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.

## Austrian Code of Corporate Governance, as amended in January 2015

The Austrian Code of Corporate Governance (as amended in January 2015 and which was applied for financial year 2017, [www.corporate-governance.at](http://www.corporate-governance.at)) contains rules that must be followed (L-Rules), rules that are not mandatory for the Company but for which justification must be provided in the event of non-compliance (C-Rules), and rules that are entirely optional for the Company. Failure to comply with them requires no justification (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.
- According to Rule 62, an external evaluation of compliance with the C-Rules must take place regularly, in any case at least every three years. The results of this evaluation must be presented in the corporate governance report. An internal evaluation is completed on the basis of the External Evaluation of Compliance with the Austrian Code of Corporate Governance questionnaire, which is also used for external evaluations. No external evaluation is conducted for cost reasons.
- An assessment by the financial 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.



## Poland – Best Practice for GPW Listed Companies 2016

The Company has decided to comply with these Polish rules, with the following exceptions. The majority of the exceptions relate to Austrian law, to which the Company is subject.

### Rule I.Z.1:

A company should operate a corporate web site and publish documentation required under Polish law in a separate section of this web site. Warimpex is a company that is subject to Austrian law. Austrian law calls for a corporate governance report that contains a great deal of this information, but not all of it. Additional documents can also be accessed in other parts of the web site. The following items are not required by Austrian law, and are therefore not fulfilled:

- 1.2.: Curricula vitae are only published on the web site for candidates for the Supervisory Board.
- 1.8.: Selected financial indicators for the last five years are not available in a document enabling the recipient to process such data.
- 1.9.: Information about the planned dividend and the dividend paid out by the company in the last 5 financial years, including the dividend record date and the dividend payment date, cannot be downloaded.
- 1.11.: There is no internal guideline on changing the financial auditor.
- 1.15.: There is no formulated diversity policy.
- 1.19.: 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.
- 1.20.: Audio and video recordings of the annual general meetings are not made by the Company, and are therefore not published on the Company's web site.

### Rule II.Z.10.:

Austrian law does not require an assessment by the Supervisory Board of the internal control, risk management, and compliance systems and other such systems. Austrian law requires that a Supervisory Board report be submitted to the annual general meeting; the contents of this report do not fully satisfy the Polish regulations.

### Rule III.Z.3ff.:

The Company has neither outsourced its internal auditing functions nor set up a separate staff unit for internal auditing purposes. 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 this is not planned for the foreseeable future for cost reasons.

### Rule IV.R.2. and IV.Z.2.:

Webcasts of the Company's annual general meeting are currently not offered, but will be offered in future when required by law. The Company allows votes to be cast by authorised proxy, and this option is exercised by numerous Polish institutional investors.

### Rule IV.R.3.:

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.

## SUMMARY OF THE BOARDS AND OFFICERS AND THE CORRESPONDING REMUNERATION

*Management Board***Franz Jurkowitsch**

Chairman of the Management Board

Year of birth: 1948

First appointed: 2 September 1986

Appointed until 30 September 2019

Responsibilities: strategy and corporate communications

Chairman of the supervisory board of Vienna International Hotelmanagement AG, Vienna (until May 2017)

**Georg Folian**

(until 31 December 2017)

Year of birth: 1948

First appointed: 2 September 1986

Deputy chairman of the supervisory board of Vienna International Hotelmanagement AG, Vienna (until May 2017)

**Daniel Folian**

(from 1 January 2018)

Year of birth: 1980

First appointed: 1 January 2018

Appointed until 31 December 2022

Responsibilities: finances and accounting, investor relations, and financial management

**Florian Petrowsky**

Member of the Management Board

Year of birth: 1967

First appointed: 1 May 2014

Appointed until 1 May 2021

Responsibilities: transaction management, organisation, human resources, and legal issues

**Alexander Jurkowitsch**

Member of the Management Board

Year of birth: 1973

First appointed: 31 July 2006

Appointed until 30 September 2019

Responsibilities: planning, construction, IT, and information management

## Supervisory Board

### Günter Korp

Chairman of the Supervisory Board  
 Chairman of the Audit Committee/financial expert  
 Chairman of the Personnel Committee  
 Deputy Chairman of the Project Committee  
 Year of birth: 1945  
 First appointed: 16 October 2009  
 Current period of office ends in 2021 (36<sup>th</sup> AGM)



### Thomas Aistleitner

Deputy Chairman of the Supervisory Board  
 Deputy Chairman of the Audit Committee  
 Member of the Project Committee  
 Member of the Personnel Committee  
 Year of birth: 1953  
 First appointed: 11 June 2012  
 Current period of office ends in 2021 (36<sup>th</sup> AGM)



### 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 2021 (36<sup>th</sup> AGM)  
 Chairman of the board of directors of Gedeon Richter Ltd, Hungary



### Harald Wengust

Member of the Supervisory Board  
 Chairman of the Project Committee  
 Member of the Audit Committee  
 Deputy Chairman of the Personnel Committee  
 Year of birth: 1969  
 First appointed: 16 October 2009  
 Current period of office ends in 2021 (36<sup>th</sup> AGM)  
 Chairman of the supervisory board of Informica Real Estate AG, Germany



### Hubert Staszewski

Member of the Supervisory Board  
 Year of birth: 1972  
 First appointed: 8 June 2016  
 Current period of office ends in 2017 (32<sup>nd</sup> AGM)  
 Member of the supervisory board of iAlbatros Group S.A., Poland (until June 2017)  
 Member of the supervisory board of Elektrobudowa S.A., Poland  
 Member of the supervisory board of Próchnik S.A., Poland





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 based on the guidelines published in Annex 1 to the Code.

- 1 The Supervisory Board member has not served as a member of the management board or as a management-level staff member of either the Company or a subsidiary, associate, or affiliate of the Company (referred to as “Group companies” in the following) in the past five years.
- 2 The Supervisory Board member does not maintain and has not maintained in the past year any business relations with the Company or one of its Group companies to an extent of significance for the member of the Supervisory Board. This also applies to relationships between the Company and companies in which the Supervisory Board member has a considerable economic interest. The exercise of functions within the Group or the mere exercise by a Supervisory Board member of duties as a member of the management board or as a managing director do not generally result in the relevant company being considered a company in which the Supervisory Board member has a considerable economic interest. The approval of individual transactions by the Supervisory Board pursuant to L-Rule 48 of the ACCG does not automatically mean the person is qualified as not independent.
- 3 The Supervisory Board member has not acted as auditor of the Company or owned a share in the auditing company or worked there as an employee in the past three years.
- 4 The Supervisory Board member is not a member of the management board of another company in which a member of the Management Board of Warimpex Finanz- und Beteiligungs AG is a supervisory board member.
- 5 The Supervisory Board member is not a close relative (direct offspring, spouse, life partner, parent, uncle, aunt, sibling, niece, nephew) of a member of the Company’s Management Board or of persons who hold one of the positions described in items (1) to (4).

A directors and officers liability insurance policy has been taken out.

For information regarding the remuneration paid to the individual Supervisory Board members and the individual members of the Management Board and the principles of the Company’s remuneration policy, please consult sections 9.3.2.2. and 9.3.2.3. in the notes to the consolidated financial statements.

## Information about the procedures of the Management Board and Supervisory Board

### 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. Please refer to the Supervisory Board report for information about the focuses of the activities of and the number of meetings of the individual committees during the financial year.

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 members of the committees are appointed for the duration of their tenure on the Supervisory Board. Each committee elects a chairman and a deputy chairman from among its members. Please refer to the information about the boards and officers of the Company for further details.

## Diversity concept – measures for promoting women

There are currently no women serving on the Supervisory Board or Management Board of Warimpex; one woman serves as an authorised officer (Prokuristin). There are seven women in other management positions, which represents a share of 29 per cent.

There are currently no concrete measures for the promotion of women in managerial positions in place at the Company.

At this time, the Company does not have a binding diversity concept that stipulates the consideration of criteria such as age, gender, education, and professional background in the appointment of members of the Management Board and Supervisory Board. The Company does not want to limit itself in the selection of board members. Nevertheless, the Management Board and Supervisory Board are very diverse in terms of the age, educational and professional background, and nationality of the members.





WARIMPEX

*Consolidated  
Non-Financial  
Report*

DISCLOSURES PURSUANT TO § 267A  
AUSTRIAN COMMERCIAL CODE

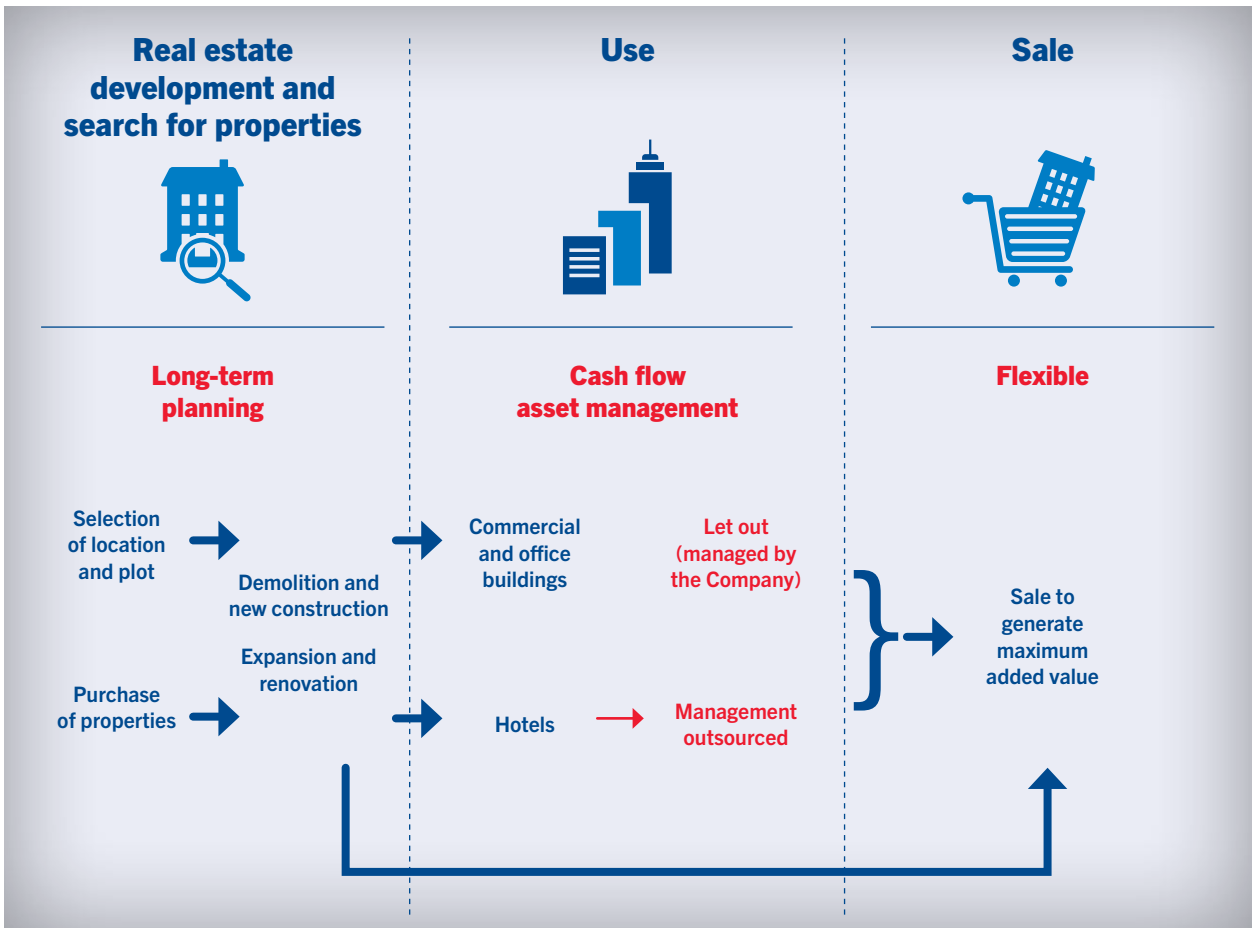


**WARIMPEX – Business model**

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 realised through sale. The majority of these projects is located in Central and Eastern Europe.

Accordingly, the Warimpex Group generates stable cash flows from the operation of hotel properties and the letting of office space while simultaneously realising proceeds from property sales.

In contrast to pure real estate portfolio companies, Warimpex combines the steady business of the asset management segment with the high profitability of the property development segment. Under this strategy, the property development units benefit from the financing strength of the asset management units, and the typical exit risk of a pure project developer is simultaneously minimised because the completed properties are generally held in the Company’s portfolio initially in order to wait for the right time to sell.



## Sustainable management

The Warimpex Group’s real estate development projects and the operation of its properties have an impact on the social, ecological, and economic environments in which it does business. Because of this, the Company bears great responsibility. It has firmly anchored the fulfilment of this responsibility into its corporate culture, and sees living up to this responsibility as a central element in its success. This applies to new and existing buildings. In the further development of existing properties into hotel and office buildings, we attach considerable importance to compliance with the requirements for the preservation of the historic features of the properties. Building energy-efficient buildings is a matter of course for us because the operating costs of these buildings are lower, and this enables higher rents to be negotiated.

Due to the long service life of properties, the decisions we make today have an impact for the next 10 to 30 years. In the coming decades, climate protection and the sustainable use of resources will become even more important than they already are today. Real estate companies have to respond now – for instance in the area of climate protection. In order to achieve the 2-degree target defined at the Paris climate conference in 2015, we will have to transform into a low-carbon economy that hardly emits any carbon dioxide by 2050. This already has to be taken into consideration in long-term investments today. Warimpex is aware of its deep responsibility in this context and does not see properties merely as economic goods, but instead places emphasis on the ecological and social aspects. This basic philosophy reflects a deep-seated conscientiousness and respect for people and the environment and shapes both the Company’s corporate culture and its concrete activities in all areas of business.

The following sustainability report prepared in accordance with the requirements of the Austrian Sustainability and Diversity Improvement Act (Nachhaltigkeits- und Diversitätsverbesserungsgesetz, NaDiVeG) is addressed to all stakeholders as well as everyone else who is interested in Warimpex’s ecological, social, and economic performance.

## Materiality and stakeholders

Sustainable development is a multifaceted process that is influenced by many different issues in the areas of the economy, the environment, and society. The potential impact of business activities on these areas of life is determined by a company’s core business, industry, and business environment.

## Process description and strategic integration

A comprehensive materiality analysis forms the basis for the reporting. The potential material topics for Warimpex Group were identified and prioritised in a multi-stage process. The topics were analysed with regard to their impact on people and the environment as well as with regard to their importance for the following key stakeholders: investors, shareholders, analysts, banks, employees, suppliers, service providers, tenants, neighbours, peer companies, the media, policymakers, public authorities, and hotel guests.

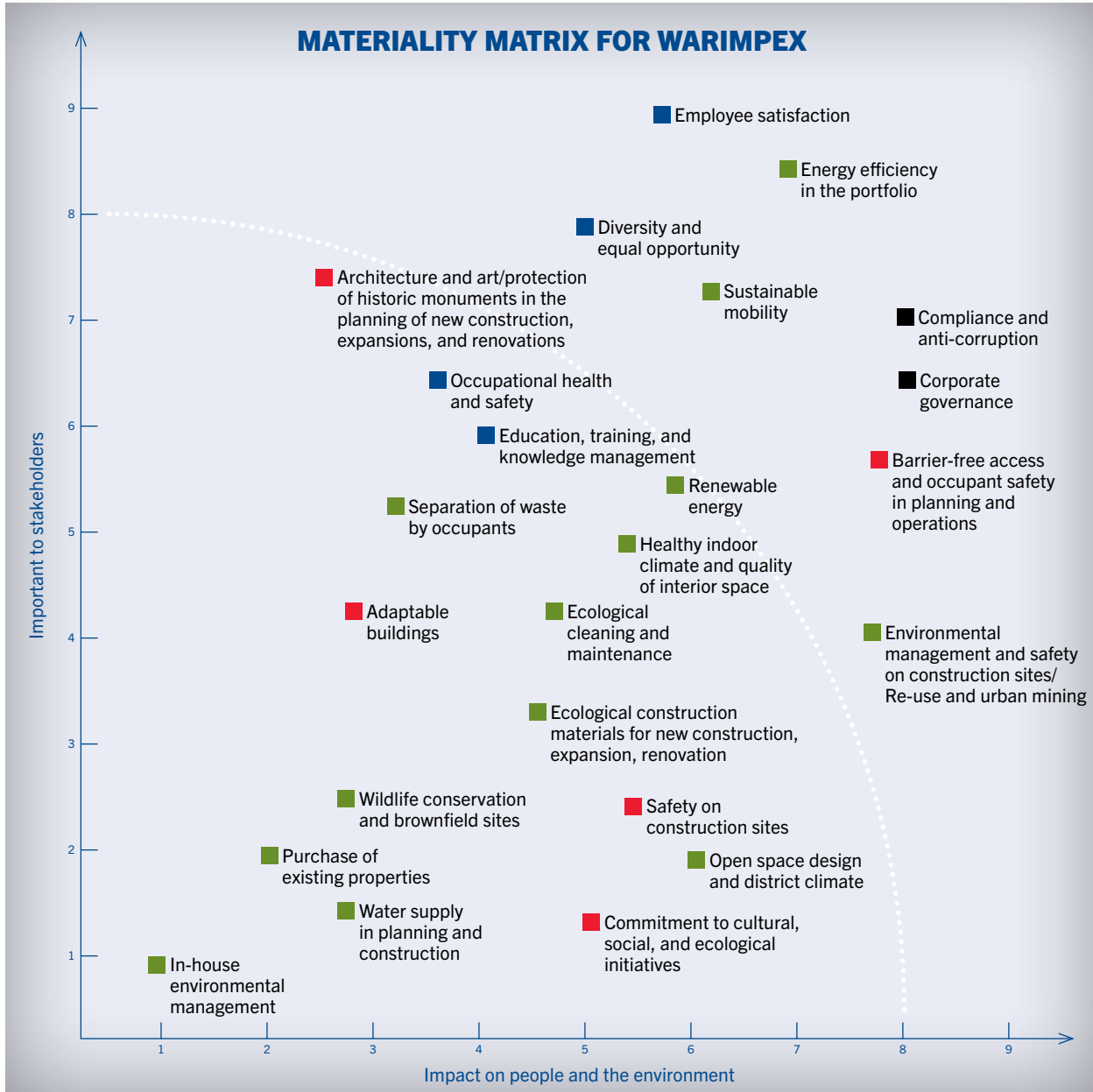
The topics that were deemed to be material can be assigned to the following categories:

- **Environment and energy**
- **Sustainable corporate culture (ethics and compliance)**
- **Social responsibility**
- **Employees**
- **Human rights**

In the following, Warimpex reports on activities and measures related to the issues deemed to be material, which are described in the overview below:

Topic	Description	Issue according to NaDiVeG
<b>Energy efficiency of buildings</b>	Thermal quality of buildings, energy-efficient technical building systems, appliances, etc. support the energy efficiency of buildings (heating, cooling, electricity consumption)	Environmental issue
<b>Re-use and urban mining/ Environmental management on construction sites</b>	Renewable materials, manufactured in an environmentally friendly manner, regionally sourced, contaminant-free, multifunctional, and recyclable Noise and dust prevention, exclusion of brownfield sites, effective waste management, safe handling and storage of chemicals, and short transport distances	Environmental issue
<b>Sustainable mobility</b>	Offering of and incentives to use environmentally friendly means of transport such as connections to public transport networks, pedestrian and bike path networks, provision of infrastructure for bicycles, e-mobility, and car and bike sharing	Environmental issue
<b>In-house environmental management</b>	Conservation of resources within the Company's own operations (planning of travel activities, sustainable mobility)	Environmental issue
<b>Corporate governance, compliance, and anti-corruption</b>	Compliance with legal requirements (employment law, competition law, data protection, etc.), clear contract awarding processes, proper working relationships with contractors	Combating corruption and bribery
<b>Barrier-free access and occupant safety</b>	Technical components (such as fire protection measures, escape routes, alarms for dangerous situations, or evacuation), structural components (such as signage, lighting, video surveillance, or concierge services) Compliance with all legal regulations and requirements and regular monitoring of this compliance	Social issue
<b>Employee satisfaction</b>	Motivation and satisfaction of the team is strengthened and maintained at a high level	Employee issue
<b>Diversity and equal opportunity</b>	Diverse team structure with regard to age, gender, background, working model, etc.	Employee issue
<b>Work-life balance</b>	Different work schedule models, flexible time management	Employee issue
<b>Respect for human rights</b>	Deep-rooted part of the corporate culture that is put into practice internally and externally	Respect for human rights





- Categories**
- Environment and energy
  - Employees
  - Sustainable corporate culture (ethics and compliance)
  - Social responsibility

## Warimpex – An overview

### Evolution of the Warimpex Group

Warimpex was founded in 1959 by Stefan Folian as an import/export and transit trading company. From 1982 onwards, under the management of Georg Folian and Franz Jurkowsch, the Company started to specialise in real estate projects in Central and Eastern Europe. Since that time, 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, Budapest, St. Petersburg, and Warsaw. Warimpex is also building upon its successful, long-standing cooperative projects with international hotel groups such as Vienna House, InterContinental Group, Kempinski, and Sheraton.

As at the end of 2017, Warimpex was the owner, co-owner, or leaseholder of six hotels with a total of 1,600 rooms (roughly 900 rooms when adjusted for the proportionate share of ownership), plus six commercial and office buildings with a total floor area of some 60,100 square metres (roughly 40,100 square metres when adjusted for the proportionate share of ownership) in Poland, the Czech Republic, Russia, Hungary, France, and Austria.

## ENVIRONMENT AND ENERGY

The topics of energy supply, energy consumption, and energy-related technical building systems are extremely important in the construction and real estate industry. The provision of energy in the form of electricity and heat is the basis for comfortable office facilities. At the same time, energy sources and energy consumption have a significant impact on climate change. Warimpex is aware of its energy-related impact on the environment and society and therefore takes great care with regard to ecological and economic requirements in terms of the energy supply and energy consumption and in terms of enhancing and preserving the value of buildings. Warimpex also confronts the challenges of our time and makes an essential contribution to the lasting reduction of emissions by planning projects on a long-term basis. Building energy-efficient buildings is a matter of course for us because the operating costs of these buildings are lower, and this enables higher rents to be negotiated.

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

Warimpex believes that sustainability and cost efficiency are not mutually exclusive.

At the beginning of 2013, Warimpex completed the BREEAM – Good-certified Le Palais Office building in Warsaw. The Ogródowa office building that is currently under construction in Łódź will be certified BREEAM – Very Good, and the Mogilska 43 project in Krakow aims to attain a BREEAM – Very Good certification. The Company generally strives to obtain certifications for all new projects in the office segment. There are currently no certified properties in the hotel portfolio, but the Company still aims to achieve a high standard in this segment.

The Company plans to maximise the benefit for the environment, society, and the economy in future projects. For us, this means that projects maintain their value or increase in value over the long term while also offering ecological and social benefits. This also means preventing damage to the environment. We aim to adhere to these principles not only in new construction projects, but also in renovations. Starting in 2018, a controlling segment will be added to the internal project controlling that includes the assessment of the project with regard to energy efficiency, flexible floor plans, accessibility, and mobility.

A property is not included in the non-financial reporting until it has been in the portfolio for 12 months.

### Energy efficiency of the portfolio

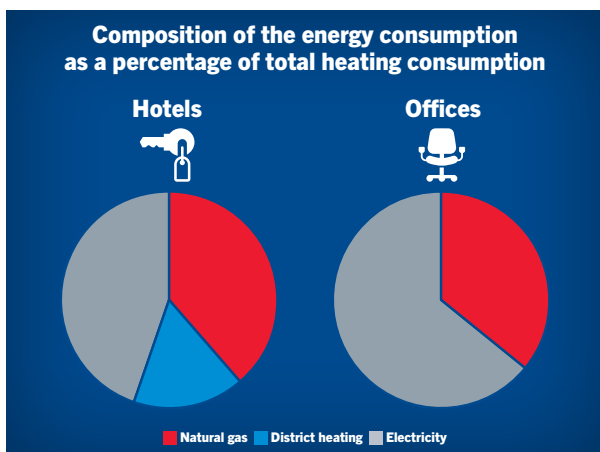
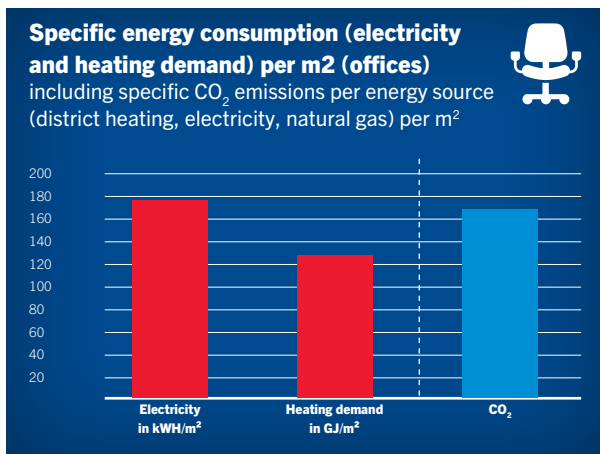
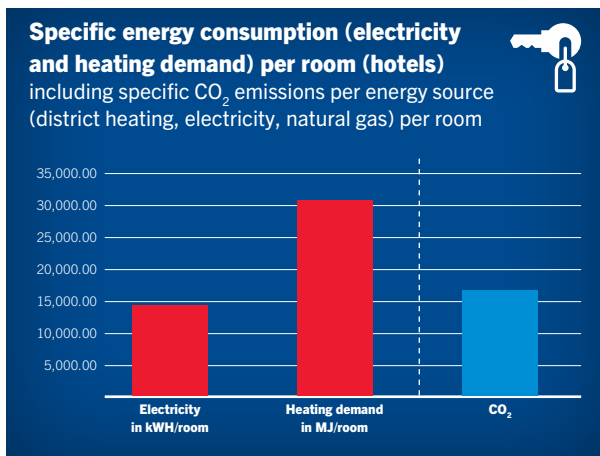
Warimpex's direct area of influence lies in the energy-related design of new buildings, modernisation measures on existing properties, and energy performance. In addition, the selection of the energy source can have a positive impact on the energy balance of the properties to some extent.

However, energy efficiency does not just depend on the building itself. The careful use of energy by the occupants is also a decisive factor and can make a significant contribution to climate protection. However, Warimpex can only influence the individual behaviour of the occupants to a very limited extent. The steering measures in this regard are focused on clear and targeted communication, such as through notices at the property.

The key task for Warimpex is to create the conditions for low energy consumption at its buildings. This includes the energy-efficient design of new properties as well as the gradual energy-related modernisation of suitable existing properties.

**Indicators for 2017**

The indicators are presented differently for the different asset classes of hotels and office buildings in order to provide a clear picture. In the case of hotels, indicators are reported on a per-room basis worldwide in order to improve comparability. The energy consumption figures for office properties are based on the square metres of lettable space.



With regard to Warimpex’s energy consumption figures, it must be noted that one hotel property, the Dvořák hotel in Karlovy Vary, is unique when it comes to the heating of the hotel. Karlovy Vary is located in a geothermal zone and has 12 thermal springs that are used for health spa operations. The residual heat from these thermal springs is used as district heat for businesses. Thus, the Dvořák hotel has access to a local energy source that is carbon-neutral and eco-friendly.

The indicators were collected for the first time in 2017 and thus form the basis for the future monitoring of energy consumption in order to keep track of and minimise the risk of contributing to climate change. Warimpex aims to improve these indicators on an ongoing basis and take them into consideration in the planning of new projects.

Particular emphasis is being placed on energy-efficient and environmentally friendly design for the two development projects being realised in Poland in 2018: A green wall is being built at the Mogilska 43 project in Krakow, and a green roof is planned for the Ogrodowa development project in Łódź. These measures not only contribute to the occupants’ well-being, but also play a decisive role in environmental and climate protection. The energy consumption for cooling is reduced and the burden on the sewer system is minimised by the water retention. At the same time, these measures help to counteract urban heating and the formation of heat islands.

The following initiatives have already been implemented to boost energy efficiency in the Hotels segment:

In 2014, a technical pilot project was launched to identify energy savings potential in hotels, and this project has continued on an ongoing basis. The development of energy consumption in the asset management segment is being monitored. The project covers the areas of electricity; heating, ventilation, and climate control; water consumption; and waste separation.

In addition, the Company ensures the energy-efficient operation of its own hotels by planning the occupancy of the rooms so that vacant rooms or floors do not have to be fully heated. In this way, care is taken in the initial planning of the projects to ensure that hotel areas can be supplied with energy individually. This can make a major contribution to reducing heating demand.

Warimpex aims to reduce the specific carbon dioxide emissions of its operations on an ongoing basis.

### Environmental management and safety

#### on construction sites/Re-use and urban mining

At construction sites, the Company does everything in its power to prevent noise and dust, to clean up brownfield sites, and to ensure effective waste management for building demolitions. The efficient separation of secondary raw materials is facilitated by working with companies that provide separation with as little mixing of materials as possible. It is important to Warimpex to maintain good relations and communication with all stakeholders. One example in this context is the fact that the heating system of the direct neighbours of the Mogilska 43 construction site was converted to a district heat connection. In addition, vouchers for car washes were handed out to neighbours during the demolition work at this construction site. Warimpex aims to continue preventing complaints and lawsuits through good communication with neighbours.

All legal requirements are complied with, and there have been no official complaints or fatal workplace accidents to date. Warimpex receives monthly reports from the general contractors containing updates on the progress of projects and, if applicable, information about violations of safety requirements and accidents on construction sites. Workplace accidents represent a significant risk at construction sites. With this in mind, Warimpex has set a clear goal to continue to maintain its clean record with regard to legal complaints and major violations of safety requirements at construction sites. In addition, the monthly reports from the general contractors for future projects will be expanded to include information about workplace accidents and official complaints related to occupational safety, environmental issues, and other legal issues.

The rehabilitation of old buildings is prioritised whenever possible in order to save resources, costs, and time. Construction activities are always resource-intensive. The intense use of raw materials can contribute to the waste of resources and thus represents a risk to the environment. Warimpex minimises this risk by ensuring the optimal continued use of existing buildings in its projects. For example, an old office building in Munich was converted into a hotel and an old office building that was built in Budapest in the 1960s was gutted and refurbished into an office building that meets today's requirements. There were no corresponding rehabilitation projects in 2017.

This table provides an overview of the indicators regarding the demolition for the Mogilska 43 project:

Mixed waste	4.6 t
Large-volume waste	24 t
Roofing felt	16.8 t
Insulation material	2.5 t
Timber	12,690 t

Brick rubble	72 t
Concrete rubble	11,731 t
Steel	87.12 t
Soil	4,080 t

### Sustainable mobility

Mobility involves a number of current and future challenges pertaining to climate change, particularly in urban areas. This includes the risk of local air pollution due to emissions from automobile traffic in the form of nitrogen oxide as well as energy consumption.

Due to the rising demand for charging stations for electric vehicles, there is a risk that it will not be possible to provide a sufficient number of EV charging stations for the occupants of buildings. Forward-looking, intelligent mobility and traffic concepts are viable solutions in this context, including the increased use of public transport and car-sharing programmes as well as the further electrification of mobility in urban areas. In order to meet these requirements, it is important to account for a sufficient number of charging stations with a suitable charging capacity and charging connection in the initial planning stages and to observe and evaluate various concepts in order to determine which concept should be implemented at a site to optimally meet the demand.

E-mobility in particular represents an essential and ground-breaking topic. In this context, the future need for parking spaces with electric charging points or cable conduits for later retrofitting efforts at the building already have to be taken into consideration in the design and planning of newly constructed properties – generally around three years before completion. There are not currently any EV charging stations at Warimpex's existing properties, but EV charging stations are planned for new projects such as Mogilska 43 and the Ogrodowa office building. The plans for Mogilska 43 call for 60 bike parking spaces (which corresponds to 0.4 parking spaces per 100 square metres of office space). Showers and changing rooms are also planned in order to make it more appealing for employees to bike to the office. The plans for the Ogrodowa 8 project in Łódź also include 150 bike parking spaces (which corresponds to 0.5 parking spaces per 100 square metres of office space) as well as the construction of showers and changing rooms in the office facilities.

The majority of Warimpex's projects are in central locations in primary and secondary cities. Good transport connections for the occupants of the building are an important factor for all of the projects. Hotels should always be easy to get to – both with public transport such as buses or trains as well as with cars and coaches. For tenants of an office building, it is also important that their employees and customers can reach the office with various means of transport (bus, rail, connection to the airport).



All of Warimpex’s projects offer good connections to the public transport network. Public transport stations are generally located within a radius of 200 metres.

In the future, it will also become increasingly important to offer optimal connections to the public transport network in a city because significant restrictions on private transport such as car-free zones or parking restrictions are to be expected. It is also crucial to promote sustainable mobility (electric vehicles, car sharing, etc.) because property users will see these offerings as decisive factors. In order to optimally address these developments, Warimpex has set itself the goal of taking sustainable mobility into consideration as a criterion for future projects.

**In-house environmental management**

Flights	CO <sub>2</sub> 123 t
Kilometres driven by car	CO <sub>2</sub> 64 t

*Employees of Warimpex AG*

Warimpex has a high level of travel because all of its projects are located outside of Austria. This impacts the environment through increased emissions and represents a danger to employee safety due to the increased risk of car accidents. Travel planning is the responsibility of the relevant project team, but reducing travel to an absolute minimum is a basic principle at Warimpex. Efforts are always made in the planning of business travel to combine the travel of individual employees and to form carpools in order to keep travel expenses and the environmental impact as low as possible. Some projects can be reached by train or plane, while others are more conducive to travelling by car because they are more easily accessible by car or require technical equipment to be taken along. In order to reduce business travel, the use of teleconferences and video conferences is encouraged and the necessary technology provided.

New developments are evaluated and incorporated into the Company’s IT on an ongoing basis in order to ensure the optimal use of new technologies. This enables cross-border collaboration in projects to be simplified and employees’ travel to be optimised. In addition, Warimpex plans to use electric vehicles for its fleet in the future: An electric car has already been ordered and will be added to the fleet in the spring of 2018. The Company hopes that this pilot project will provide valuable information about usage behaviour both for future travel and for the charging infrastructure and other requirements for office locations. Along with the ongoing maintenance and modernisation of the vehicle fleet, investments are being made in employee training for business travel in the form of driving courses.

**SUSTAINABLE CORPORATE CULTURE (ETHICS AND COMPLIANCE)**

Around the world, bribery and corruption hinder investment activities and disrupt international competition. In addition, the economic, social, and ecological well-being of society is jeopardised by the diversion of funds through corrupt practices. Companies play an important role in combating these practices because corruption is damaging not only to democratic institutions but also to proper corporate governance. In addition, some of the countries in which Warimpex does business have poor rankings according to the Corruption Perceptions Index and are thus exposed to a higher risk of corruption.

**Corporate governance, compliance, and anti-corruption**

Therefore, the implementation of effective corporate governance practices represents a significant sustainability topic with regard to fostering a responsible corporate culture.

As a listed company, Warimpex operates in accordance with the rules of the Austrian Code of Corporate Governance (January 2015 version) and the Polish Best Practice for GPW Listed Companies 2016. These codes are voluntary agreements for proper corporate governance and control aimed at achieving responsible value creation focused on sustainability and a long-term vision. These measures ensure that the interests of all stakeholders whose welfare is dependent upon the success of the Company are optimally served and that a high level of transparency is provided.

**Code of Conduct**

The Code of Conduct (CoC) is a summary of the general rules of conduct for Warimpex employees. The CoC has been applied at Warimpex since 2013 and will be extended to all of the fully consolidated companies in 2018.

It documents the Company’s interactions with employees, customers, suppliers, and all other stakeholders and provides orientation for day-to-day conduct.

The ethical and legal rules and guidelines are specified in the CoC and promote individual responsibility and an open, respectful, and responsible working climate.

Employees receive ongoing training in order to foster an open and honest working climate. In 2018, training courses will be offered on current topics such as the new General Data Protection Regulation. Training courses on the Code of Conduct and corruption prevention as well as occupational safety are also planned. The various workdays of employees due to different scheduling models and travel are taken into

account in the training programmes by offering multiple courses on different days so that everyone can participate. In addition, Warimpex strives to offer additional training as needed when it becomes apparent that a certain topic is important at the moment or is requested by the employees.

No cases related to corruption or violations of internal compliance guidelines have been identified to date.

## SOCIAL RESPONSIBILITY

### Barrier-free access and occupant safety in planning and operations

Barrier-free access is taken into account in accordance with legal requirements in both new construction and in the renovation/refurbishment of existing properties. All offices and hotels offer barrier-free access. The safety of the occupants is ensured through regular monitoring in line with local ordinances (e.g. inspection by the fire department or work inspectors) and at the management level (inspection together with the operators of the relevant property). Our own random inspections ensure the safety of the occupants of our properties and minimise the risk of a violation of the applicable regulations. No significant complaints pertaining to imminent hazards have been lodged by authorities in relation to safety requirements to date. In acute cases, individual measures are taken to ensure the safety of the occupants at the given property. For example, increased security checks have been performed at the entrances to hotels in response to terrorist attacks in a given destination.

The goal is to prevent complaints by authorities and customers and to meet all legal requirements in order to guarantee the safety of the occupants at all times.

Eight of the total 420 rooms are barrier-free, which represents a share of 2 per cent.

## EMPLOYEES

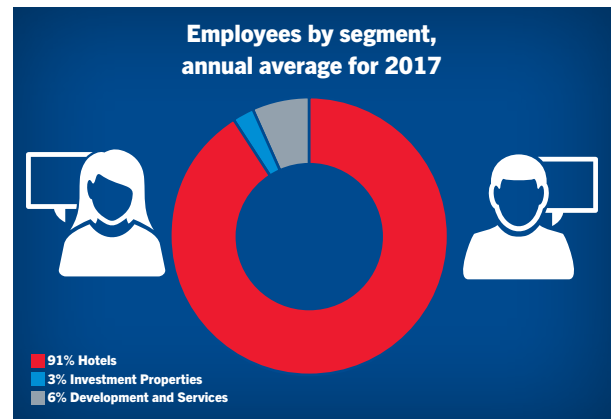
### Employee satisfaction

Warimpex aims to offer opportunities for growth and career advancement, to reward outstanding performance, to promote collaboration at all levels, and to foster an open corporate culture.

The working world is constantly changing due to more vigorous demands and increasing requirements for flexibility. This makes it more and more difficult for employees to achieve a balance between their careers, family duties, and private lives.

A consistent policy of equal treatment, flexitime work models, and teleworking opportunities represent the pillars of a healthy work-life balance for Warimpex's employees.

### Employees in the Group



Hotels are operated by hotel management companies under management contracts. Accordingly, the hotel managers have autonomy in personnel matters and are responsible for the supervision of the hotel staff, so these aspects are not under Warimpex's control. Therefore, the following information only includes Warimpex's other two segments.

As at 31 December 2017, 57 employees worked at the fully consolidated companies of Warimpex Group. The following charts show the distribution of the employees according to their regional assignment and their area of responsibility. Overall, roughly 51 per cent of the employees work in the areas of asset and property management.

The duties in asset and property management include the management of the existing properties and development properties by the managers, technicians, and project controllers. The finance segment encompasses the chief accountants and accountants. The support functions provide administrative and

organisational assistance to the other two segments. In order to guard against the risk of losing highly qualified staff members, Warimpex’s employees are provided with state-of-the-art technical equipment to make the work process as smooth and efficient as possible. This is intended to ensure a safe and pleasant work environment for everyone. Employees are also supported through the open and honest corporate culture. Warimpex does not put stock in adhering to hierarchies, but instead fosters a level playing field and respectful collaboration. The Company takes the individual needs of the employees into consideration by offering various working models such as part-time schedules, teleworking, and other possibilities, and adapting these models as necessary.

**Diversity and equal opportunity**

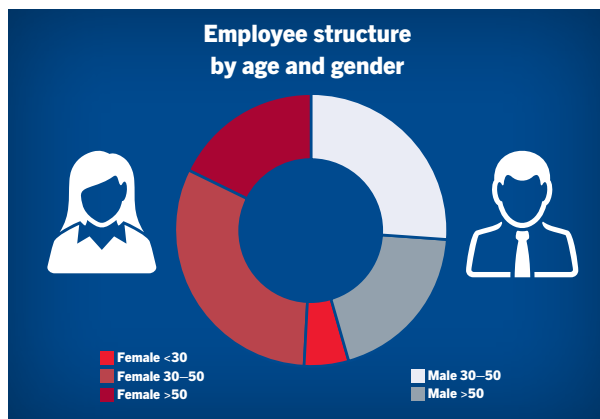
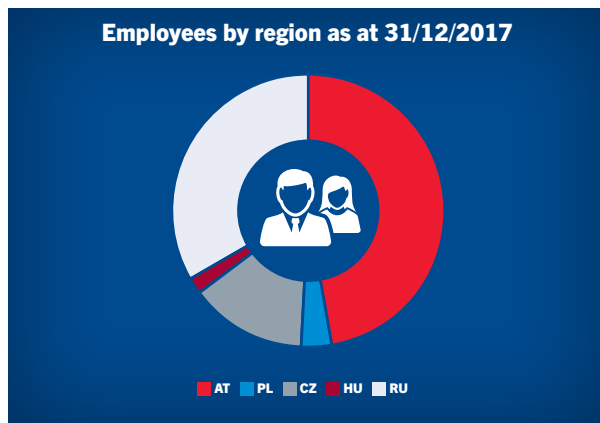
Ensuring equal opportunity between women and men and diversity with regard to the employees’ overall background is a key priority for the Company. This diversity is not only apparent in the background of employees from different cultures and countries, but can also be seen in the age structure of the staff. At Warimpex, no one is excluded due to their gender, age, or background. On the contrary: The convergence of different views, opinions, and experiences allows many different aspects to be examined and addressed in projects.

A flat hierarchy also allows goals to be achieved through short communication channels, without having to fight through extraneous bureaucracy. Women and men are given equal opportunities to stay connected to the Company even when they are on parental leave. Invitations to company events are also sent to employees on parental leave, and these employees can continue to use communication devices such as their phones and laptops while on leave. It is also possible to work while on parental leave, and many employees take advantage of this opportunity. When employees return from parental leave, their needs are re-evaluated and individually adapted to suit their circumstances. In cases where it is desired and possible, teleworking and flexible working hours are agreed with employees. All of these measures have proven to be effective in the past and will thus be continued in the future. As a result, the risk of potential discrimination against employees is deemed to be low. Warimpex sees the diversity of its employees as an opportunity and utilises it accordingly.

The share of women in the total workforce was 46 per cent as at 31 December 2017. Warimpex offers its female and male employees the same opportunities and requirements. What counts is an employee’s qualifications and experience in their field, not their nationality or gender. There are no targeted women’s advancement measures – gender equality is a matter of course at Warimpex and is also reflected in the percentage of women in the total workforce.

The average age of the employees is roughly 46 years. Warimpex Group works with an attractive mix of experienced employees and new employees.

The diversity with regard to the nationality of employees from different countries also represents a success factor for Warimpex. Employees from four countries and with various migration backgrounds work at the Group’s headquarters in Vienna.



## HUMAN RIGHTS

Respecting human rights is seen as a deep-rooted part of Warimpex's philosophy and is put into practice each and every day. Freedom of expression is anchored in Warimpex's organisational structure because there are no restrictions on communication of any kind. Warimpex also respects and values everyone's right to freely practice their beliefs. At hotel projects, for example, the interior design is kept non-religious as far as possible in order to ensure the religious freedom of all users. Neutrality is emphasised in the selection of the pictures in the rooms, and religious symbols such as crosses are not used in the hotel premises.

In addition, Warimpex's activities cannot result in human rights violations.

Warimpex is clearly committed to protecting human rights. We will support the protection of human rights within our sphere of influence and ensure that we are not involved in human rights violations. We expect our suppliers and partners to comply with the legal regulations as well. We assume that they comply with the applicable laws for the protection of human rights and that violations are appropriately prosecuted by the competent legal authorities in the jurisdiction of the relevant suppliers and partners. We do not see a need or a possibility to take additional internal initiatives in this area. We also have to assume that suppliers and partners receive goods and services from third parties in some cases. We are not aware of any human rights violations in connection with this supply chain to date. We assume that our suppliers and partners take action if they become aware of such issues. Proven violations are punished and can result in the termination of the business relationship with the respective supplier or partner.





Ogrodowa Office  
Łódź, PL





InterContinental\*\*\*\*\*  
Warsaw, PL



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# *Group Management Report*

FOR THE FINANCIAL YEAR  
FROM 1 JANUARY TO 31 DECEMBER 2017

Warimpex announced the sale of part of its hotel portfolio to the Thai investor U City Public Company Limited (U City) on 23 February 2017. The sale closed on 31 May 2017. The transaction covered eight hotel holdings, which accounted for around 50 per cent of the total real estate assets of Warimpex and represented a property value of roughly EUR 180 million (excluding the holdings of the joint venture partner in this portfolio) (See section 5.1. in the notes to the consolidated financial statements for further information).

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**Oгородowa Office**  
Łódź, PL



## GROUP MANAGEMENT REPORT

*Markets*

8



Warimpex is active with projects in Poland, Russia, the Czech Republic, Hungary, Romania, France, Germany, and Austria.

4



properties are currently under development in Łódź, Krakow, and Budapest.

44



hotels and office buildings have been developed by Warimpex since 1982 – the highlights include hotels under the brands InterContinental, Crowne Plaza, and Kempinski, the revitalised Le Palais Office in Warsaw, and AIRPORTCITY St. Petersburg.



**Mogilska Office**  
Krakow, PL



## MARKETS

*Poland***Economic environment**

Real GDP growth proved to be strong in Poland in 2017. Economic growth for 2017 as a whole is estimated at 4.6 per cent, which is a substantial increase compared with the previous year (2016: 2.8 per cent). The reason for the higher growth is rising investment activity. Growth is expected to remain strong at 4.2 per cent in 2018 and 4.6 per cent in 2019.<sup>1</sup>

The volume of real estate transactions increased to around EUR 5 billion in 2017 (2016: EUR 4.5 billion).<sup>2</sup> Prime yields for office properties were 5.20 per cent in Warsaw in 2017 (2016: 5.35 per cent) and roughly 6.15 per cent<sup>3</sup> in secondary cities. Prime headline rents came to EUR 23.0 in Warsaw, EUR 14.0 in Krakow, and EUR 12.75 in Łódź.<sup>4</sup> In the hotel industry, average occupancy in Warsaw fell by 1 percentage point to 77.7 per cent while the average room rate in euros increased by 10 per cent to EUR 108.<sup>5</sup>

**Existing portfolio: 1 office property, 1 hotel**

Warimpex has been 50 per cent leaseholder of the five-star InterContinental in Warsaw since December 2012. Warimpex and UBM developed the hotel together, and each most recently held 50 per cent of the hotel with its 414 rooms. Warimpex and UBM sold the hotel at the end of December 2012. A lease was concluded between the purchaser and a subsidiary of Warimpex and UBM, under which it will lease the hotel back at a fixed rate and continue to run the establishment under the brand InterContinental until 2027. In December 2017, the lease and management agreement was extended by seven years until 2034.

The holding and operating companies of the following Polish hotels were sold on 31 May 2017:

- Vienna House Easy Chopin Krakow
- andel's Krakow (operating and leaseholding company)
- andel's Łódź
- angelo Katowice (50 per cent stake)
- Amber Baltic Międzyzdroje

Occupancy at the InterContinental remained unchanged compared with the prior year at 84 per cent while the average room rate in euros increased by 9 per cent.

In December, Warimpex purchased a fully occupied office building in Krakow (Mogilska 41) with roughly 5,800 square metres of space for the purpose of generating rental revenue over the medium term and redeveloping the property at a later date.

**Under development:****3 office buildings, 1 development property**

Advance leases were signed for roughly 37 per cent of the total 27,400 square meters in the Ogradowa office building that is under construction in Łódź. Completion is planned in the second quarter of 2018.

A lease was concluded for roughly 60 per cent of the 12,000 square metres of space in the Mogilska 43 development project in Krakow. The project is scheduled to be completed in the first quarter of 2019.

Warimpex is also the owner of a development property next to the Chopin Hotel, on which an office building with around 21,000 square metres of space is to be built. Planning for this project is under way.

Warimpex owns a development property in Białystok. Adjacent properties were acquired during the financial year. Four office properties will be built in multiple phases. Planning for this project is under way.

<sup>1</sup> European Commission – European Economic Forecast, Winter 2018

<sup>2</sup> CB Richard Ellis, Poland Investment, Q4 2017

<sup>3</sup> CB Richard Ellis, Poland Investment, Q4 2017

<sup>4</sup> CB Richard Ellis, Poland Outlook 2017

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

## MARKETS

*Czech Republic***Economic environment**

Economic growth in the Czech Republic is estimated to have come in at 4.5 per cent for the year 2017 due to strong private consumption and robust investment activity. GDP growth is projected at 3.2 per cent for 2018 and 2.9 per cent for 2019.<sup>6</sup>

**Existing portfolio: 1 hotel**

In the Czech Republic, Warimpex operates the Vienna House Dvořák hotel in Karlovy Vary under a lease.

The holding companies of the following Czech hotels were sold on 31 May 2017:

- Vienna House Diplomat Prague
- angelo Plzeň (50 per cent stake)

Occupancy at the Dvořák hotel rose from 55 to 61 per cent, and the average room rate in euros fell by roughly 3 per cent.

<sup>6</sup> European Commission – European Economic Forecast, Winter 2018





## MARKETS

*Hungary***Economic environment**

Economic growth improved to an estimated rate of 3.8 per cent in 2017. GDP growth is forecast to come in at 3.7 per cent in 2018 and 3.1 per cent in 2019.<sup>7</sup>

In Budapest, average rents increased by 3 per cent year-on-year to EUR 11.3 per month, prime yields declined from 6.75 per cent to 6.00 per cent<sup>8</sup>, and vacancy fell from 10.4 per cent to 8.6 per cent.<sup>9</sup>

<sup>7</sup> European Commission – European Economic Forecast, Winter 2018

<sup>8</sup> CB Richard Ellis, Budapest Office, H1 2017

<sup>9</sup> CB Richard Ellis, Budapest Office, H1 2017

**Existing portfolio: 2 office properties**

In Budapest, Warimpex owns the Erzsébet and Sajka office buildings, which together have around 15,600 square metres of lettable space.

The Sajka office building has roughly 600 square metres of lettable space, roughly 40 per cent of which was occupied as of the reporting date. The property is now fully let out again.

Roughly 97 per cent of Erzsébet Office in Budapest was let out on the reporting date; 12,250 square metres (of 14,500 square metres) are let to the insurance company Groupama Garancia Insurance Private Co. Ltd., a Hungarian branch of the international Groupama Group.

**Under development:**

In Budapest, Warimpex owned a property on Üllői ut, and the planning of a hotel with adjacent apartments was begun. A contract for the sale of the development property was signed in early March 2018. The closing is planned for May 2018.



**Erzsébet Office**  
Budapest, HU

## MARKETS

*Romania*

The angelo Airporthotel in Bucharest was sold on 31 May 2017.

*France***Economic environment**

Economic growth increased from 1.2 per cent to 1.8 per cent in 2017. The French economy is expected to slowly gain momentum and stabilise in 2018. This trend will be driven primarily by household spending. Growth is expected to amount to 2.0 per cent in 2018 and 1.8 per cent in 2019.<sup>10</sup>

**Existing portfolio: 2 hotels**

In Paris, Warimpex and a joint venture partner are the leaseholders (finance leasing) of the four-star Vienna House Dream Castle Hotel and the four-star Vienna House Magic Circus at Disneyland® Resort Paris, each of which have about 400 rooms. Occupancy at the hotels improved to 77 and 76 per cent (1–12 2016: 71 and 62 per cent), respectively. The average room rate increased by roughly 9 per cent at Vienna House Dream Castle and remained constant at Vienna House Magic Circus.

<sup>10</sup> European Commission – European Economic Forecast, Winter 2018



**Dream Castle  
Hotel\*\*\*\***  
at Disneyland® Paris, F



## MARKETS

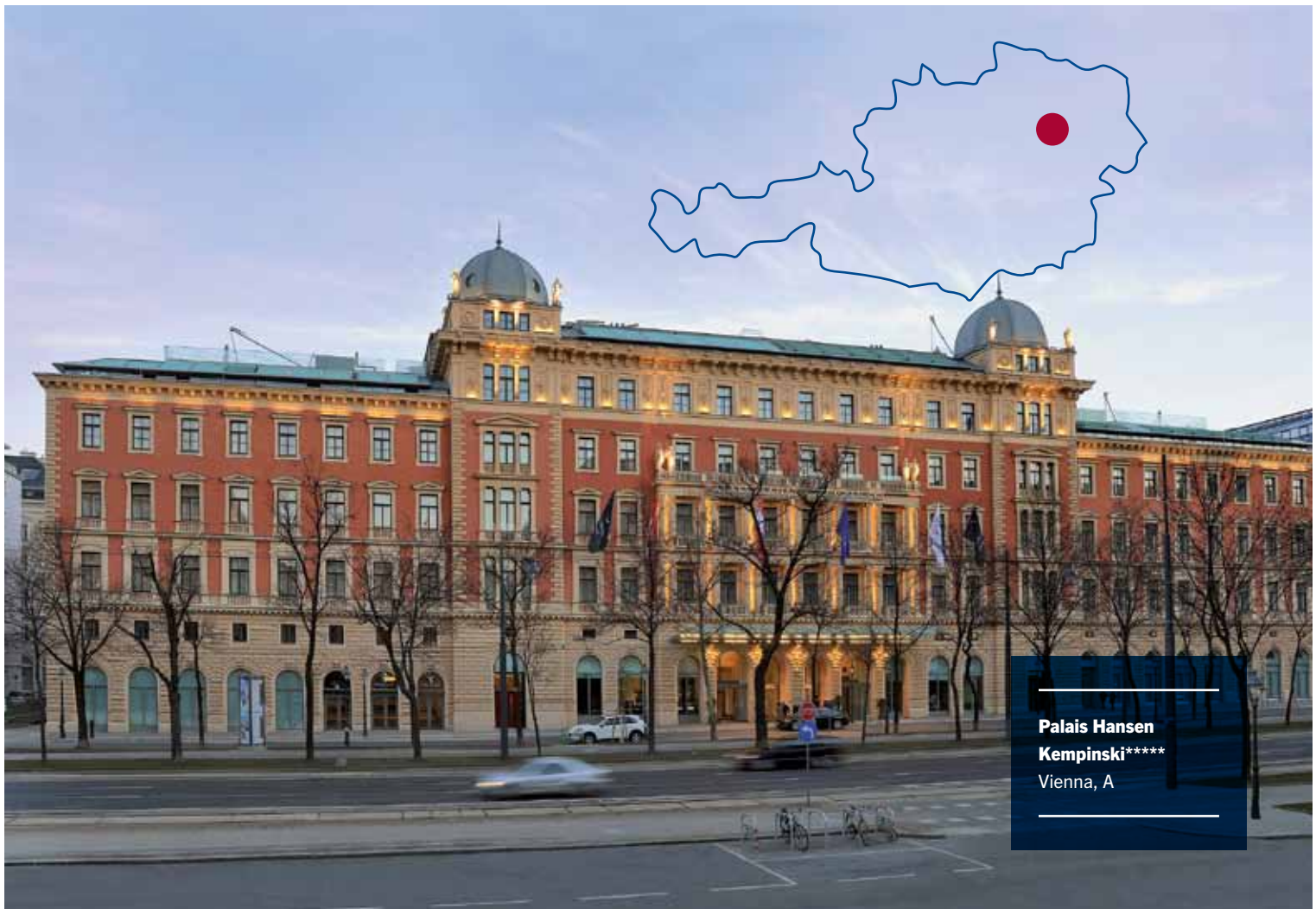
*Austria***Economic environment**

GDP growth in Austria climbed to 3.1 per cent in 2017 and is expected to remain at this level in 2018. Growth of 2.3 per cent is projected for 2019. Austria's export sector is benefiting from improved global trade and demand from neighbouring countries.<sup>11</sup>

**Existing portfolio: 1 hotel**

In Vienna, Warimpex holds around 10 per cent of the project company behind the Palais Hansen Kempinski hotel in Vienna together with Wiener Städtische Versicherung/Vienna Insurance Group and UBM. The hotel is Warimpex's first project in Austria and was opened in March 2013.

<sup>11</sup> European Commission – European Economic Forecast, Winter 2018





**Crowne Plaza \*\*\*\***  
**AIRPORTCITY**  
St. Petersburg, RU



## MARKETS

*Russia***Economic environment**

The prospects for the Russian economy have improved, especially thanks to the stabilisation of the oil price and the rouble exchange rate. After a recession (2016: -0.2 per cent), the Russian economy expanded by 1.8 per cent in 2017. GDP growth is expected to come in at 1.7 per cent in 2018 and 1.5 per cent in 2019.<sup>12</sup>

The volume of real estate transactions in Russia increased by 9 per cent to around EUR 4.9 billion in 2017.<sup>13</sup> The peak yields for office properties in St. Petersburg ranged from 10.0 per cent to 11.0 per cent (2016: 11.5 per cent to 12.5 per cent), and average rents (including operating costs and VAT) came to roughly RUB 1,830 (around EUR 26) per square metre per month.<sup>14</sup>

In St. Petersburg, occupancy rates declined by 1 percentage point to 68 per cent on average, and the average room rate improved by 11 per cent to EUR 102.<sup>15</sup>

**Existing portfolio:****1 hotel, 2 office properties, 1 multi-use building**

In St. Petersburg, Warimpex holds 55 per cent of AIRPORTCITY St. Petersburg. In the first phase of the project, a four-star Crowne Plaza hotel (InterContinental Hotel Group) and office buildings (Jupiter 1 and 2) with 16,800 square metres of lettable space were opened at the end of December 2011. AIRPORTCITY St. Petersburg is being developed by ZAO AVIELEN A.G. together with CA Immo and UBM. AIRPORTCITY is the first premium-class business centre in the region and is a key infrastructure project in the growing economic centre of St. Petersburg.

Warimpex has indirectly held roughly 24 per cent of the Jupiter 1 and 2 office towers at AIRPORTCITY St. Petersburg since the end of 2016.

The Zeppelin office building with 15,600 square metres of lettable space was completed at AIRPORTCITY at the end of June 2015. The tower is completely let out.

The Crowne Plaza achieved occupancy of 78 per cent (1–12 2016: 74 per cent) while the average room rate in euros rose by 22 per cent.

The fully occupied Bykovskaya multi-use building at AIRPORTCITY St. Petersburg (with parking spaces for around 450 vehicles and roughly 6,000 square metres of office and archive space) – which is now fully owned by the Group – was handed over to the tenant in late May 2017.

**Under development: Development properties**

There are property reserves for around 150,000 square metres of office space at AIRPORTCITY St. Petersburg.

<sup>12</sup> World Economic Outlook Update, January 2018

<sup>13</sup> CB Richard Ellis, Russian Real Estate Investment Market, Q4 2017

<sup>14</sup> CB Richard Ellis, Valuation report for AIRPORTCITY, CJSC Avielen AG

<sup>15</sup> HotStats European Chain Hotels – Performance Report for Warimpex

## BUSINESS DEVELOPMENT

# Assets, Financial Position, and Earnings Situation

## Development of revenues

The decline in revenues in the Hotels segment from EUR 51.9 million to EUR 27.5 million is due to the sale of hotels.

Revenues from the rental of office properties (Investment Properties revenues) climbed from EUR 8.6 million to EUR 13.2 million, largely due to the completion of the fully occupied Bykovskaya multi-use building at AIRPORTCITY St. Petersburg.

Total revenues fell by 32 per cent to EUR 42.4 million. Roughly 65 per cent (2016: 83 per cent) of the revenues were generated by hotel operations, some 31 per cent (2016: 14 per cent) by the letting of office properties, and roughly 4 per cent (2016: 3 per cent) by the Development and Services segment.

Expenses directly attributable to revenues fell from EUR 36.0 million to EUR 22.0 million.

## Earnings situation

### Gains or losses from the disposal of properties

A portfolio of eight hotel operations was sold through a share deal on 31 May 2017. The sale made a EUR 24.4 million contribution to the profit for the period. The overall disposal result totalled EUR 26.6 million.

During the reporting period for the prior year, the 50 per cent stake in the owner of the Parkur office tower, Warsaw, was sold to the joint venture partner, and the Dioszegi office building in Budapest and the 100 per cent stake in the angelo hotel in Prague were sold in October 2016.

### EBITDA

Earnings before interest, taxes, depreciation, and amortisation and gains/losses on remeasurement (EBITDA) increased by 57 per cent from EUR 21.5 million in 2016 to EUR 33.6 million due to significantly higher sales proceeds.

### EBIT

No impairment charges had to be made in the reporting period (2016: EUR 0.5 million); scheduled depreciation and amortisation came to EUR 0.9 million (2016: EUR 6.4 million) because no scheduled depreciation was recognised in the financial year for the eight hotels that were sold.

The remeasurement result from the office assets (investment properties) came to EUR 16.2 million (2016: EUR 7.6 million). The measurement gains can be attributed primarily to the completion of the fully occupied Bykovskaya multi-use building.

Overall, EBIT more than doubled, rising from EUR 25.7 million to EUR 54.7 million.

### Financial result

Finance income (including earnings from joint ventures) went from EUR -1.9 million to EUR -11.7 million due to negative changes in foreign exchange rates in the amount of EUR 7.4 million (2016: exchange rate gains of EUR 20.3 million). Interest on current account loans, long-term project financing and other loans, and interest on convertible and other bonds decreased from EUR 10.9 million to EUR 7.2 million in annual comparison.

Earnings from joint ventures went from EUR -1.2 million to EUR 2.6 million due to improved operating results and the remeasurement of properties.

### Profit or loss for the period

The result for the period increased from EUR 22.9 million in 2016 to EUR 40.5 million in 2017. The profit for the shareholders of the parent improved in annual comparison from EUR 17.4 million to EUR 40.5 million.

## Segment analysis

For more information, see the detailed comments in section 2. Segment information of the notes to the consolidated financial statements.

The Warimpex Group has defined the business segments of: Hotels, Investment Properties, and Development and Services. The joint ventures and associates that are recognised using the equity method in the consolidated financial statements are included in the segment report using the proportionate consolidation method. The Hotels segment is comparable with the hotels and/or hotel rooms held by the Group as consolidated entities in the reporting period (with the joint ventures recognised on a proportionate basis). The Investment Properties segment contains the rental revenue from office properties. The Development and Services segment covers development services, activities of the Group parent, and profit contributions from the sale of properties.

### Hotels segment\*

in EUR '000	2017	2016
Revenues for the Group	58,864	81,773
Average number of hotel rooms for the Group**	1,683	2,759
GOP for the Group	21,586	32,414
NOP for the Group	15,685	25,134
NOP/available room in EUR	9,317	9,109

\* Including all joint ventures and associates on a proportionate basis

\*\* See the disclosures pertaining to the Hotels segment in the consolidated financial statements

The average number of available rooms fell by 39 per cent to 1,683 during the reporting period due to the partial sale of the hotel portfolio at the end of May 2017, while revenues from hotel operations declined by 28 per cent to EUR 58.9 million.

Key figures that are typical for the sector are used to manage the hotels. These include GOP (gross operating profit, calculated according to the Uniform System of Accounts for the Lodging Industry) and NOP (net operating profit, which corresponds to the GOP less specific costs of ownership after GOP such as management fees, insurance, land tax, etc.). The NOP retreated by 38 per cent to EUR 15.7 million; the NOP per available room advanced by 2 per cent to EUR 9,317.

### Investment Properties segment\*

in EUR '000	2017	2016
Revenues for the Group	17,354	9,614
Segment EBITDA	13,862	6,987

\* Including all joint ventures on a proportionate basis

The revenues and segment EBITDA increased due to the completion of the Zeppelin office tower in St. Petersburg and an office building in Budapest in the previous year as well as the handover of the multi-use building at AIRPORTCITY St. Petersburg in May 2017.

### Development and Services segment\*

in EUR '000	2017	2016
Revenues for the Group	2,767	2,321
Gains or losses from the disposal of properties	26,575	9,050
Segment EBITDA	18,096	1,589

\* Including all joint ventures on a proportionate basis

The results in this segment depend heavily on the sale of real estate holdings (share deals) and properties (asset deals) and are subject to significant year-on-year fluctuation. The gains or losses from the disposal of properties include the sale of eight hotels.

The segment EBITDA for the prior year is the result of the final purchase price adjustment from the sale of the InterContinental hotel in Warsaw, which was sold in 2012, and the sale of the angelo hotel in Prague.

## Assets

Consolidated Statement of Financial Position in EUR '000	31/12/2017	31/12/2016	31/12/2015
<b>ASSETS</b>			
Non-current assets	223,272	174,185	322,960
Current assets	41,982	183,701	27,274
<b>Total assets</b>	<b>265,254</b>	<b>357,886</b>	<b>350,235</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	54,000	54,000	54,000
Retained earnings and reserves	56,926	16,188	-235
<b>Equity attributable to the parent</b>	<b>110,926</b>	<b>70,188</b>	<b>53,765</b>
Non-controlling interests	-27,445	-27,130	-32,037
<b>Total equity</b>	<b>83,481</b>	<b>43,058</b>	<b>21,728</b>
Non-current liabilities	153,922	169,371	286,722
Current liabilities	27,851	145,457	41,785
<b>Total liabilities</b>	<b>181,773</b>	<b>314,828</b>	<b>328,507</b>
<b>Total equity and liabilities</b>	<b>265,254</b>	<b>357,886</b>	<b>350,235</b>

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

Warimpex announced the sale of part of its hotel portfolio to the Thai investor U City Public Company Limited (U City) on 23 February 2017. The sale closed on 31 May 2017. The transaction covered eight hotel holdings, which accounted for around 50 per cent of the total real estate assets of Warimpex and represented a property value of roughly EUR 180 million (excluding the holdings of the joint venture partner in this portfolio). The sale resulted in the realisation of hidden reserves, which in turn led to a significant increase in equity. In addition, the sale led to a significant balance sheet contraction.



## Financial Position

Consolidated Statement of Cash Flows in EUR '000	2017	2016
Cash receipts from operating activities	46,347	64,370
Cash payments for operating activities	-34,345	-51,412
<b>Net cash flows from operating activities</b>	<b>12,002</b>	<b>12,958</b>
Net cash flows from investing activities	48,081	10,121
Net cash flows for financing activities	-41,939	-26,751
<b>Cash and cash equivalents at 31 December</b>	<b>22,849</b>	<b>4,723</b>

### Cash flow from operations

The cash flow from operating activities declined by 7 per cent. For more information, see the detailed comments in item 2. Segment information in the notes.

### Net cash flows from investing activities

The cash receipts from investing activities pertain primarily to the sale of eight hotels (2016: sale of the angelo hotel in Prague). The cash payments for investments pertain to construction work for the Bykovskaya multi-use building at AIRPORTCITY St. Petersburg and for the Ogrodowa office building in Łódź (2016: construction work for the Bykovskaya multi-use building at AIRPORTCITY St. Petersburg).

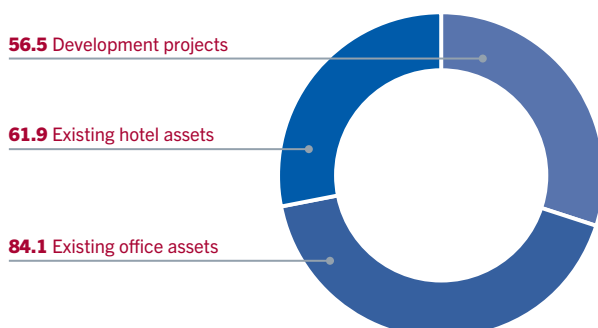
### Cash flows from financing activities

The change in the cash flows from financing activities can primarily be attributed to the higher repayment of loans. The cash flows for paid interest fell from EUR 9.5 million in the previous year to EUR 6.7 million. Overall, the net cash flow from financing activities came to EUR -41.9 million (2016: EUR -26.7 million).

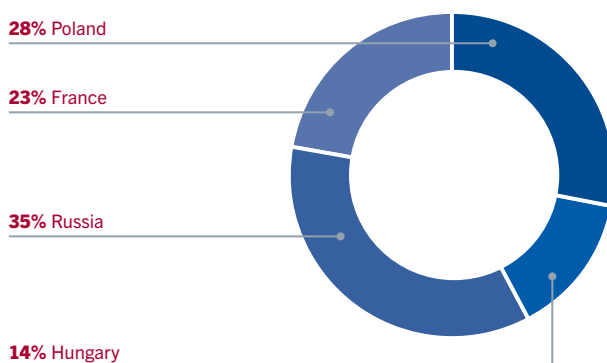
## Real Estate Assets

On 31 December 2017, the real estate portfolio of the Warimpex Group comprised six hotels with roughly 1,600 rooms (900 rooms when adjusted for the proportionate share of ownership) plus six office properties with a total lettable floor area of roughly 60,000 square metres (40,100 square metres when adjusted for the proportionate share of ownership).

### PROPERTY ASSETS IN EUR MILLIONS



### GAV BY COUNTRY IN %



### Calculation of gross asset value and net asset value in million EUR

Warimpex recognises its property, plant, and equipment such as hotel properties at cost less depreciation according to IAS 16, as is required for owner-operated hotels in IAS 40.12. Changes in the value of investment properties (primarily office buildings) are recognised annually through profit or loss according to the fair value model in IAS 40.56. To allow comparison with other real estate companies, Warimpex reports the triple net asset value (NNNAV) in its management report.

The majority of the properties and development projects are valued twice annually (on 30 June and 31 December) by independent real estate appraisers.

On 31 December 2017, the following experts appraised Warimpex's portfolio:

Appraiser	Fair values as at 31/12/2017 in EUR millions	in %
CB Richard Ellis	126	62%
Knight Frank	55	27%
PricewaterhouseCoopers	14	7%
Others or not appraised	2	1%
	<b>197</b>	<b>97%</b>
Properties measured at their preliminary selling prices	5	3%
	<b>202</b>	<b>100%</b>

The fair values are determined in accordance with the valuation standards of the Royal Institute of Chartered Surveyors. The fair value is the price that would be paid for the transfer of an asset or a liability in a transaction at arm's length terms on the reporting date. The real estate appraiser uses the discounted cash flow (DCF) approach to calculate the fair values of developed properties, and the comparative method for other properties. Development projects are generally measured using the residual value method, taking a developer's profit into account.

For information on the yield used to calculate the fair value, please see section 7.1.2. (Hotels) and section 7.2.3. (Investment properties) in the notes to the consolidated financial statements.

The gross asset value of Warimpex's proportionate properties came in at EUR 202.5 million on 31 December 2017 (31 December 2016: EUR 343.3 million), of which EUR 59.8 million (31 December 2016: EUR 75.5 million) can be attributed to joint ventures. This decline can be attributed primarily to the sale of eight hotels offset by the progress in development projects in Poland and Russia. The Group's triple net asset value (NNNAV) rose from EUR 104.7 million as at 31 December 2016 to EUR 129.0 million as at 31 December 2017.

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

in EUR millions	12/2017		12/2016	
Equity before non-controlling interests		110.9		70.2
Deferred tax assets	-1.9		-1.9	
Deferred tax liabilities including deferred tax liabilities in disposal groups	3.2	1.3	11.5	9.6
Carrying amount of existing hotel assets	-24.4		-24.2	
Fair value of existing hotel assets	25.1	0.7	24.6	0.4
Carrying amount of development projects	-49.2		-49.2	
Fair value of development projects	49.2	–	49.2	–
Carrying amount of joint ventures	-17.2		-14.5	
Fair value of joint ventures	33.3	16.1	28.9	14.4
Carrying amount of disposal groups	–		-169.2	
Fair value of disposal groups	–	–	179.3	10.1
<b>Triple net asset value</b>		<b>129.0</b>		<b>104.7</b>
Number of shares on 31 December		54.0		54.0
<b>NNNAV per share in EUR</b>		<b>2.4</b>		<b>1.9</b>



## *Material Risks and Uncertainties to Which the Group is Exposed and Risk Management*

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 organisation within Warimpex and especially within the Management Board that governs responsibilities and authorisations 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 boards and officers.

### **b) Operating risks**

In the Hotels 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 the Investment Properties and Development and Services segments, the Group is exposed to finance and currency risks, interest rate risks, market entry risks, and the risk of delays in the completion of construction work on real estate projects. In addition, there are risks of rent default which may impact both on the current cash flow and on property values.

The Group invests in real estate in a limited number of countries, and is therefore exposed to increased risk that local conditions such as an excess supply of properties can affect the development of business. Owing to its focus on property development and property holdings, the Group's performance is heavily dependent on the current situation in the real estate markets. Price declines 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. Asset management staff therefore submit status reports to the

Management Board at regular intervals together with projections for the optimum maintenance of the properties.

### **c) Capital market risk**

Refinancing on the capital market is of high strategic importance for Warimpex.

To avoid risks of insufficient capital market compliance, Warimpex has enacted a compliance guideline that ensures adherence to the capital market regulations and that especially prevents the abuse or sharing of insider information. A permanent confidentiality area has been set up for all employees in Vienna, and temporary confidentiality areas are set up and waiting periods and trading prohibitions enacted on a project basis.

### **d) Legal risks**

As an internationally active company, Warimpex is exposed to a wide range of legal risks. These include risks related to the purchase and sale of properties and legal disputes with tenants or joint venture partners.

At the time that the financial statements were prepared, no material legal disputes were known.

### **e) Risk and risk management related to financial instruments**

Aside from derivative forms of financing, the most significant financial instruments used by the Group are current account and bank loans, bonds and convertible bonds, cash and cash equivalents, and short-term deposits. The main purpose of these financial instruments is to provide 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 that are intended to minimise the Group's exposure to interest rate and currency risk. The Group's risk management policies provide for a risk-oriented relationship between fixed-rate and variable-rate financial liabilities. All significant financial transactions are subject to approval by the Management Board and, when required, also approval by the Supervisory Board.

Further information on financial risk management, in particular quantitative disclosures, can be found in the notes to the

consolidated financial statements as at 31 December 2017 in section 8.2.

### 1. Interest rate risk

The risk of fluctuations in market interest rates (usually the three-month EURIBOR for bank loans and the six-month EURIBOR or six-month WIBOR for bonds) to which the Group is exposed results primarily from its variable-rate long-term financial liabilities.

Interest rate hikes can impact the Group's result by causing higher interest expenses for existing variable-rate financing. In the case of variable-rate financing, a change in the interest rate has an immediate effect on the Company's financial result.

Warimpex limits the risk of rising interest rates that would lead to higher interest expenses and a worsening of the financial result in part through the arrangement of fixed-rate financing and in part through the use of derivative financial instruments (especially interest rate swaps).

### 2. Currency risk

Currency risk results primarily from financial liabilities denominated in currencies other than the functional currency. For Group companies that have the euro as their functional currency, this is primarily financial liabilities in a local or other foreign currency (such as PLN), or for foreign Group companies with the local currency as their functional currency, financial liabilities in a foreign currency (EUR).

There are no natural hedges, and the Group does not systematically use derivative financial instruments to hedge its exposure to foreign currency risk. When needed, cross currency swaps or currency forwards concluded for a maximum of one year in relation to specific future payments in foreign currencies are employed to hedge the currency risk.

In addition to the currency risk from financial liabilities, a foreign exchange risk exists especially for those Group companies that operate hotels and that have the euro as their functional currency with regards to personnel expenses and expenses for materials and services received that must be paid in the local currency, while revenues are generally based on the euro and debt must also largely be serviced in euros.

### 3. Default risk

The amounts stated as assets on the face of the consolidated statement of financial position 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 generally paid either in advance or immediately on site, especially in the

Hotels segment. Longer payment terms are generally only accepted for receivables from travel agencies.

The Group is in a position to influence the default risk on loans to joint ventures or associates through its involvement in the management of the respective companies, but there are still default risks arising from operational risks.

The default risk associated with cash and short-term deposits can be considered negligible since the Group only works with financial institutions which can demonstrate sound creditworthiness. The default risk for other receivables is relatively low, as attention is paid to working with contract partners that have good credit ratings. The Group recognises impairments where necessary.

Please also see section 8.2.3. in the notes to the consolidated financial statements.

### 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. Refinancing on the capital market is also of high strategic importance for Warimpex.

Significant fluctuations on the capital markets can hamper the raising of equity and debt capital. To limit refinancing risk, Warimpex maintains a balanced combination of equity and debt capital and of different terms for bank and capital market financing.

Liquidity risks are also minimised through a medium-term 18-month plan, an annual budget planned in monthly blocks, and revolving monthly liquidity planning. Daily liquidity management ensures that all operational obligations are met and that cash is invested optimally. Free liquidity resulting from the sale of properties is primarily used to repay operating credit lines and to finance acquisitions and the development of new projects.

Please also see section 8.2.4. in the notes to the consolidated financial statements.

To prevent cost overruns and an associated increased outflow of liquidity, Warimpex completes continuous budget and progress monitoring for development projects and maintenance work.

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

The correctness of the accounts at the subsidiaries is monitored by the hotel managers (such as Vienna International, InterContinental Hotel Group) as well as by the Group holding company. The annual financial statements of all operating property 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 orientation towards IAS 34, Interim Financial Reporting, reviewed by the Chief Financial Officer,

and then approved for publication by the Management Board. The annual financial statements and consolidated annual financial statements are studied by the Supervisory Board and by the Audit Committee before they are published.



## *Employees*

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

Particularly in the hotel sector, well qualified, service-oriented staff are crucial to an establishment's reputation and, as a consequence, have a decisive impact on its occupancy rates. The Group's experienced asset managers also play a key role in Warimpex's success. The fact that the Development and Services 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 2017, an average of 527 (2016: 891) employees worked in the Hotels segment, 15 (2016: 16) in the Investment Properties segment, and 37 (2016: 27) in the Development and Services segment.

## *Sustainability*

Please refer to the disclosures pursuant to § 267a Austrian Commercial Code in the consolidated non-financial report.

## Disclosures pursuant to § 243a Austrian Commercial Code

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

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

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

Georg Folian	14.6%
Franz Jurkowitsch	14.1%
Bocca Privatstiftung	10.6%
Amber Privatstiftung	10.7%

The Annual General Meeting on 11 June 2012 authorised the Management Board to issue convertible and/or warrant bonds granting the right of conversion or share subscription for up to a total of 9 million shares within five years, subject to the approval of the Supervisory Board (contingent capital 1). The subscription right of the existing shareholders was waived.

The Annual General Meeting on 19 June 2013 authorised the Management Board to issue convertible and/or warrant bonds granting the right of conversion or share subscription for up to a total of 9 million shares within five years, subject to the approval of the Supervisory Board (contingent capital 2). The subscription right of the existing shareholders was waived.

At the end of March 2013, convertible bonds with a total nominal value of PLN 26.5 million (roughly EUR 6.4 million) and a denomination of PLN 250,000 were successfully placed with a term of three years and a coupon of 4.875 per cent p.a., payable semi-annually. The conversion price was set at PLN 7.06 (roughly EUR 1.7). This bond grants the right of exchange or subscription for up to 3,753,541 bearer shares in the Company (contingent capital 1).

In November 2015, the Company completed the early redemption of convertible bonds with a total volume of PLN 23.5 million (roughly EUR 5.5 million) that were to mature in March 2016 and October 2016 and the extension of existing convertible bonds with a volume of PLN 19.5 million (roughly EUR 4.6 million) for three years under new terms (contingent capital 1).

The convertible bonds that were issued on 28 March 2013 and would have matured on 31 March 2016 now have the following characteristics:

- Nominal value: PLN 19.5 million (around EUR 4.6 million)
- Interest rate: 2.5% p.a., payable semi-annually
- Maturity: 3 November 2018
- Conversion price: PLN 5.94 (around EUR 1.40)

In June 2014, convertible bonds with a total nominal value of EUR 5 million and a denomination of EUR 10,000 were successfully placed with a term of three years and a coupon of 4.0 per cent p.a., payable semi-annually. The conversion price was set at EUR 1.80. This bond grants the right of exchange or subscription for up to 2,777,778 shares in the Company (contingent capital 2). In 2015 and 2016, Warimpex purchased convertible bonds with a nominal value of EUR 0.5 million and EUR 0.6 million, respectively. The convertible bond was redeemed in full in 2017.

This means that there are still convertible and/or warrant bonds (from contingent capital 2) that are associated with the right of conversion or subscription to up to 9,000,000 shares.

**THE BONDS OF WARIMPEX FINANZ- UND BETEILIGUNGS AG** AS AT 31 DECEMBER 2017

	<b>ISIN</b>	<b>Conversion price</b>	<b>Outstanding amount</b>
Bond 05/18	AT0000A1VWEO	–	EUR 5,500,000
Convertible bond 11/18	AT0000A100Y0	PLN 5.94	PLN 19,500,000
Bond 12/18	PLWRMFB00032	–	EUR 1,600,000

\* Redeemed in full after the reporting date

A zero-coupon bond with a volume of EUR 5.5 million was floated as a private placement in May 2017.

The convertible bond 06/17 was redeemed at the end of June 2017. The bond 10/17 was redeemed at the end of October.

In July 2017, the bonds 02/18 and 01/19 were redeemed early in full, and EUR 24,285,000 of the bond 12/18 was repaid early.

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

At the Annual General Meeting on 14 June 2017, the Management Board was authorised to purchase shares in the Company up to the maximum amount permitted by law of 10 per cent of the total capital stock within a period of 30 months after the passing of the motion. The purposes for which the purchased shares may be used were also specified. In addition to being held as treasury shares, they can be sold or given to employees of the Company or of an associate. The shares can also be used to service the convertible and/or warrant bonds or as payment for the purchase of real estate, business entities, business operations, or shares in one or more companies in Austria or abroad, or can be sold at any time on the exchange or through a public offer, and can be sold by any other legal means, including outside of the stock exchange, for a period of five years after the adoption of the resolution.

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



## *Events after the Reporting Date*

Regarding material events after the reporting date, please see section 9.4. in the notes to the consolidated financial statements.

## *Outlook*

The following development projects are currently under construction or development:

- **Ogrodowa office building** with roughly 27,400 square metres of space, Łódź (under construction)
- **Mogilska office building** with roughly 12,000 square metres of space, Krakow (under construction)
- **Chopin office building** with roughly 21,000 square metres of space, Krakow

Our objective for the coming months is to move ahead with our current development projects. We expect a significant reduction of interest costs in 2018 and subsequent years due to the early redemption of bonds and the elimination of project loans.

We still see our future in the development of hotels and office buildings in CEE, focusing on the established markets in Poland, the Czech Republic, Hungary, Romania, Russia, Germany, and France.

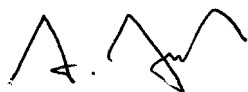
Vienna, 25 April 2018



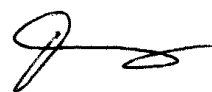
**Franz Jurkowitsch**



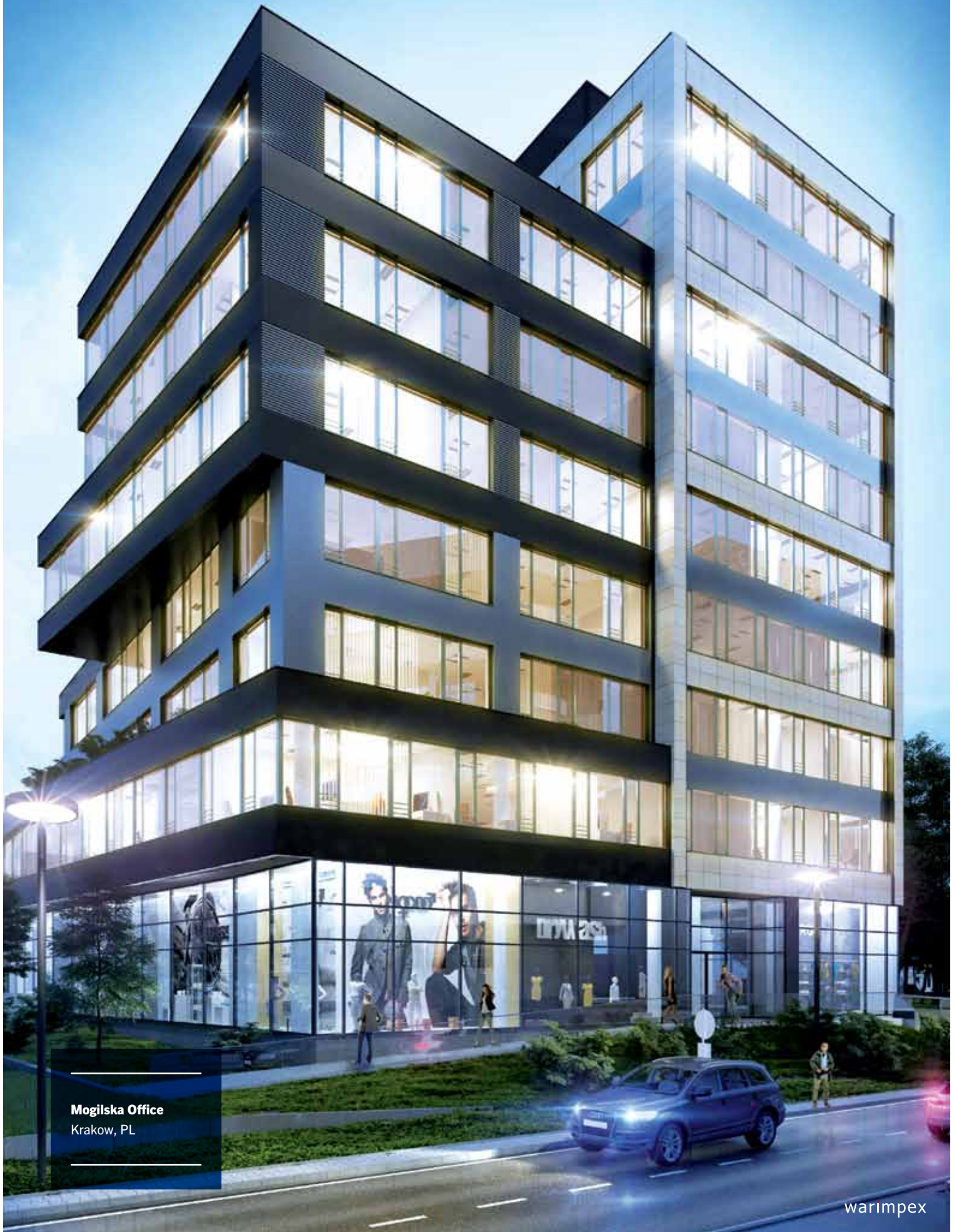
**Dr. Daniel Folian**



**Alexander Jurkowitsch**



**Florian Petrowsky**



**Mogilska Office**  
Krakow, PL



# Consolidated Financial Statements

AS OF 31 DECEMBER 2017

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**Chopin Office**  
Krakow, PL



# Consolidated Income Statement

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

in EUR '000	Note	2017	2016
Hotels revenues		27,509	51,864
Investment Properties revenues		13,190	8,580
Development and Services revenues		1,668	1,757
<b>Revenues</b>	6.1.	<b>42,367</b>	<b>62,201</b>
Expenses from the operation of hotels		(18,890)	(33,094)
Expenses from the operation of investment properties		(2,415)	(1,842)
Expenses directly attributable to development and services		(651)	(1,030)
<b>Expenses directly attributable to revenues</b>	6.2.	<b>(21,955)</b>	<b>(35,967)</b>
<b>Gross income from revenues</b>		<b>20,412</b>	<b>26,235</b>
Income from the sale of properties		61,030	14,061
Disposal of carrying amounts and expenses related to sales		(34,455)	(5,388)
<b>Gains or losses from the disposal of properties</b>	5.4.	<b>26,575</b>	<b>8,674</b>
<b>Other operating income</b>	6.3.	<b>1,672</b>	<b>1,792</b>
<b>Administrative expenses</b>	6.4.	<b>(12,228)</b>	<b>(11,514)</b>
<b>Other expenses</b>	6.5.	<b>(2,825)</b>	<b>(3,736)</b>
<b>Earnings before interest, taxes, depreciation, amortisation, and remeasurement (EBITDA)</b>		<b>33,605</b>	<b>21,450</b>
Scheduled depreciation and amortisation on property, plant, and equipment and intangible assets		(895)	(6,415)
Impairments		–	(491)
Reversals of impairment on property, plant, and equipment		4,631	3,638
Gains/losses on remeasurement of assets held for sale		1,174	–
Gains/losses on remeasurement of investment property		16,189	7,553
<b>Depreciation, amortisation, and remeasurement</b>	6.6.	<b>21,098</b>	<b>4,285</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>54,704</b>	<b>25,735</b>
Finance income	6.7.	3,602	1,928
Finance expenses	6.8.	(10,499)	(23,004)
Changes in foreign exchange rates	6.9.	(7,409)	20,343
Earnings from joint ventures and associates (equity method) after taxes	7.3.3.	2,590	(1,156)
<b>Financial result</b>		<b>(11,715)</b>	<b>(1,889)</b>
<b>Earnings before taxes</b>		<b>42,988</b>	<b>23,845</b>
Income taxes	6.10.	15	(937)
Deferred income taxes	7.5.	(2,507)	(46)
<b>Taxes</b>		<b>(2,492)</b>	<b>(983)</b>
<b>Profit or loss for the period</b>		<b>40,496</b>	<b>22,862</b>
thereof profit or loss of non-controlling interests		(46)	5,440
<b>thereof profit or loss of shareholders of the parent</b>		<b>40,542</b>	<b>17,423</b>
Undiluted earnings per share in EUR	7.9.1.	0.75	0.32
Diluted earnings per share in EUR	7.9.1.	0.75	0.32

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

in EUR '000	Note	2017	2016
<b>Profit or loss for the period</b>		<b>40,496</b>	<b>22,862</b>
Foreign exchange differences		(521)	(891)
<i>thereof reclassified to the income statement</i>		(1)	–
Valuation of cash flow hedges		1,234	(735)
<i>thereof reclassified to the income statement</i>		1,190	–
Other comprehensive income from joint ventures (equity method)		26	(9)
Gains/losses from available-for-sale financial assets	7.7.	(748)	(75)
<i>thereof reclassified to the income statement</i>		(661)	–
(Deferred) taxes in other comprehensive income		(90)	164
<b>Other comprehensive income (reclassified to profit or loss in subsequent periods)</b>	7.9.3.	<b>(99)</b>	<b>(1,546)</b>
Result of remeasurement result in accordance with IAS 19		26	18
(Deferred) taxes in other comprehensive income		–	(5)
<b>Other comprehensive income (not reclassified to profit or loss in subsequent periods)</b>	7.9.3.	<b>26</b>	<b>14</b>
<b>Other comprehensive income</b>		<b>(73)</b>	<b>(1,532)</b>
<b>Total comprehensive income for the period</b>		<b>40,423</b>	<b>21,330</b>
thereof profit or loss of non-controlling interests		(315)	4,906
<b>thereof profit or loss of shareholders of the parent</b>		<b>40,738</b>	<b>16,424</b>

# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2017

in EUR '000	Note	31/12/2017	31/12/2016
<b>ASSETS</b>			
Property, plant, and equipment	7.1.	29,561	31,316
Investment property	7.2.	154,763	111,739
Other intangible assets		10	18
Joint ventures and associates (equity method)	7.3.3.	17,224	14,479
Financial assets, available for sale	7.7.	6,146	583
Other financial assets	7.4.	13,646	14,118
Deferred tax assets	7.5.	1,922	1,931
<b>Non-current assets</b>		<b>223,272</b>	<b>174,185</b>
Inventories		271	312
Trade and other receivables	7.6.	13,463	5,203
Financial assets, available for sale	7.7.	–	6,233
Cash and cash equivalents	7.8.	22,849	2,769
Non-current assets and disposal groups, held for sale	5.1.	5,400	169,185
<b>Current assets</b>		<b>41,982</b>	<b>183,701</b>
<b>TOTAL ASSETS</b>		<b>265,254</b>	<b>357,886</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	7.9.1.	54,000	54,000
Retained earnings	7.9.3.	59,194	13,218
Treasury shares	7.9.3.	(301)	(301)
Other reserves	7.9.3.	(1,967)	3,271
<i>thereof cumulated other comprehensive income from disposal groups</i>		–	4,201
<b>Equity attributable to shareholders of the parent</b>		<b>110,926</b>	<b>70,188</b>
Non-controlling interests		(27,445)	(27,130)
<b>Equity</b>		<b>83,481</b>	<b>43,058</b>
Convertible bonds	7.10.1.	–	3,971
Other bonds	7.10.2.	5,357	42,988
Other financial liabilities	7.10.3.	121,560	105,335
Derivative financial instruments	7.11.	929	401
Other liabilities	7.12.	14,931	7,220
Provisions	7.13.	2,357	2,499
Deferred tax liabilities	7.5.	5,572	3,295
Deferred income	7.14.	3,215	3,662
<b>Non-current liabilities</b>		<b>153,922</b>	<b>169,371</b>
Convertible bonds	7.10.1.	4,543	3,931
Bonds	7.10.2.	1,603	552
Other financial liabilities	7.10.3.	6,784	13,256
Trade and other payables	7.15.	12,475	11,152
Provisions	7.13.	1,884	252
Income tax liabilities	6.10.	365	615
Deferred income	7.14.	197	229
Liabilities directly related to the disposal groups	5.1.	–	115,470
<b>Current liabilities</b>		<b>27,851</b>	<b>145,457</b>
<b>Liabilities</b>		<b>181,773</b>	<b>314,828</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>265,254</b>	<b>357,886</b>



# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

in EUR '000	Note	2017	2016
<b>Cash receipts</b>			
from hotel operations and rent received		44,643	62,055
from real estate development projects and other		683	572
from interest income		1,022	1,742
<b>Cash receipts from operating activities</b>		<b>46,347</b>	<b>64,370</b>
<b>Cash payments</b>			
for real estate development projects		(285)	(1,022)
for materials and services received		(10,877)	(24,250)
for related personnel expenses		(15,449)	(17,866)
for other administrative expenses		(7,224)	(7,922)
for income taxes		(510)	(352)
<b>Cash payments for operating activities</b>		<b>(34,345)</b>	<b>(51,412)</b>
<b>Net cash flows from operating activities</b>		<b>12,002</b>	<b>12,958</b>
<b>Cash receipts from</b>			
the sale of disposal groups and property	5.4.	78,332	10,658
less outflow of cash and cash equivalents from disposal groups sold	5.4.	(4,027)	(401)
proceeds from purchase price receivables related to prior periods	5.4.	4,625	308
dividends		100	–
financial assets, available for sale		–	300
other financial assets		283	1,788
returns on joint ventures		–	4,784
<b>Cash receipts from investing activities</b>		<b>79,312</b>	<b>17,438</b>
<b>Cash payments for</b>			
investments in property, plant, and equipment		(1,548)	(2,132)
investments in investment property		(29,361)	(4,655)
the purchase of data processing programs		–	(9)
other financial assets		(229)	(521)
joint ventures		(92)	–
<b>Payments made for investments</b>		<b>(31,231)</b>	<b>(7,317)</b>
<b>Net cash flows from investing activities</b>		<b>48,081</b>	<b>10,121</b>
<b>Cash receipts from the issue of (convertible) bonds</b>			
		5,239	45
<b>Payments for the redemption of (convertible) bonds</b>			
		(46,670)	(7,519)
<b>Payments received from loans and borrowing</b>			
		21,577	14,072
<b>Payments made for the repayment of loans and borrowing</b>			
		(14,675)	(22,919)
<b>Paid interest (for loans and borrowing)</b>			
		(4,495)	(6,607)
<b>Paid interest (for bonds and convertible bonds)</b>			
		(2,213)	(2,895)
<b>Paid financing costs</b>			
		(701)	(928)
<b>Net cash flows from/used in financing activities</b>		<b>(41,939)</b>	<b>(26,751)</b>
<b>Net change in cash and cash equivalents</b>		<b>18,144</b>	<b>(3,673)</b>
<b>Foreign exchange rate changes in cash and cash equivalents</b>			
		62	148
<b>Foreign exchange rate changes from other comprehensive income</b>			
		(80)	853
<b>Cash and cash equivalents as at 1 January</b>			
		4,723	7,394
<b>Cash and cash equivalents as at 31 December</b>		<b>22,849</b>	<b>4,723</b>
<b>Cash and cash equivalents at the end of the period consist of:</b>			
Cash and cash equivalents of the Group		<b>22,849</b>	<b>2,769</b>
Cash and cash equivalents of a disposal group classified as held for sale		–	1,954
		<b>22,849</b>	<b>4,723</b>

# Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

in EUR '000	Equity attributable to shareholders of the parent					TOTAL	Non-controlling interests	Total equity
	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves			
<b>As at 1 January 2016</b>	<b>54,000</b>	–	<b>(4,204)</b>	<b>(301)</b>	<b>4,270</b>	<b>53,765</b>	<b>(32,037)</b>	<b>21,728</b>
Total comprehensive income for the period	–	–	17,423	–	(999)	<b>16,424</b>	4,906	<b>21,330</b>
<i>thereof profit for the period</i>	–	–	17,423	–	–	<b>17,423</b>	5,440	<b>22,862</b>
<i>thereof other comprehensive income</i>	–	–	–	–	(999)	<b>(999)</b>	(533)	<b>(1,532)</b>
<b>As at 31 December 2016 =</b>								
<b>As at 1 January 2017</b>	<b>54,000</b>	–	<b>13,218</b>	<b>(301)</b>	<b>3,271</b>	<b>70,188</b>	<b>(27,130)</b>	<b>43,058</b>
Changes in the scope of consolidation	–	–	5,434	–	(5,434)	–	–	–
Total comprehensive income for the period	–	–	40,542	–	196	<b>40,738</b>	(315)	<b>40,423</b>
<i>thereof profit for the period</i>	–	–	40,542	–	–	<b>40,542</b>	(46)	<b>40,496</b>
<i>thereof other comprehensive income</i>	–	–	–	–	196	<b>196</b>	(270)	<b>(73)</b>
<b>As at 31 December 2017</b>	<b>54,000</b>	–	<b>59,194</b>	<b>(301)</b>	<b>(1,967)</b>	<b>110,926</b>	<b>(27,445)</b>	<b>83,481</b>

## Consolidated Segment Information

In “Segment overview: profit or loss for the period”, the segments are presented in accordance with their breakdown in the income statement and allocated to the consolidated result. As the Hotels segment is subject to different criteria than the

other segments in terms of its management, the corresponding information for the Hotels segment is shown below. Detailed information about the individual segments in terms of their scope and management criteria is presented in section 2.

in EUR '000	Hotels		Investment Properties	
	2017	2016	2017	2016
<b>SEGMENT OVERVIEW – PROFIT OR LOSS FOR THE PERIOD</b>				
External revenues	58,864	81,773	17,354	9,614
Intragroup services	–	–	–	–
Expenses directly attributable to revenues	(43,180)	(56,639)	(3,157)	(2,485)
<b>Gross income from revenues</b>	<b>15,685</b>	<b>25,134</b>	<b>14,197</b>	<b>7,129</b>
Gains or losses from the disposal of properties	–	–	–	–
Other operating income	821	537	–	–
Expenses for development projects	–	–	–	–
Personnel expenses	(1,105)	(1,263)	(30)	–
Other/miscellaneous expenses	(5,064)	(7,018)	(265)	(76)
Intragroup services	(283)	(1,099)	(40)	(65)
<b>Segment EBITDA</b>	<b>10,055</b>	<b>16,292</b>	<b>13,862</b>	<b>6,987</b>
Scheduled depreciation and amortisation	(3,135)	(9,401)	(12)	–
Impairments	–	(712)	–	–
Impairment reversals	3,921	3,638	–	–
Measurement gains	–	–	8,284	1,157
Measurement losses	–	–	(560)	(7)
<b>Segment EBIT</b>	<b>10,841</b>	<b>9,817</b>	<b>21,574</b>	<b>8,137</b>
Finance income	59	189	66	2
Financing expenses	(3,358)	(5,670)	(5,486)	(3,856)
Changes in foreign exchange rates	(2,325)	6,950	(5,840)	15,253
Earnings from joint ventures	–	–	–	–
Income taxes	(59)	(482)	(95)	(62)
Deferred income taxes	(873)	(176)	472	(440)
<b>Segment overview – profit or loss for the period</b>	<b>4,285</b>	<b>10,628</b>	<b>10,691</b>	<b>19,033</b>



	Development & Services		Segment total as at 31 December		Reconciliation		Group total	
	2017	2016	2017	2016	2017	2016	2017	2016
	2,767	2,321	<b>78,985</b>	93,708	<b>(36,618)</b>	(31,507)	<b>42,367</b>	62,201
	323	1,164	<b>323</b>	1,164	<b>(323)</b>	(1,164)	–	–
	(1,292)	(1,465)	<b>(47,629)</b>	(60,589)	<b>25,674</b>	24,622	<b>(21,955)</b>	(35,967)
	<b>1,798</b>	<b>2,020</b>	<b>31,680</b>	<b>34,283</b>	<b>(11,268)</b>	<b>(8,048)</b>	<b>20,412</b>	<b>26,235</b>
	26,575	9,050	<b>26,575</b>	9,050	–	(376)	<b>26,575</b>	8,674
	1,014	1,100	<b>1,835</b>	1,637	<b>(646)</b>	(176)	<b>1,189</b>	1,461
	(231)	(341)	<b>(231)</b>	(341)	<b>2</b>	1	<b>(229)</b>	(340)
	(7,257)	(6,295)	<b>(8,329)</b>	(7,558)	<b>68</b>	23	<b>(8,324)</b>	(7,535)
	(3,802)	(3,944)	<b>(9,131)</b>	(11,039)	<b>3,113</b>	3,994	<b>(6,018)</b>	(7,044)
	–	–	<b>(323)</b>	(1,164)	<b>323</b>	1,164	–	–
	<b>18,096</b>	<b>1,589</b>	<b>42,013</b>	<b>24,868</b>	<b>(8,408)</b>	<b>(3,418)</b>	<b>33,605</b>	<b>21,450</b>
	(107)	(75)	<b>(3,254)</b>	(9,476)	<b>2,359</b>	3,060	<b>(895)</b>	(6,415)
	–	(73)	–	(785)	–	294	–	(491)
	1,883	–	<b>5,803</b>	3,638	<b>1</b>	–	<b>5,805</b>	3,638
	14,346	10,668	<b>22,630</b>	11,824	<b>(1,738)</b>	1,785	<b>20,892</b>	13,609
	(4,144)	(6,050)	<b>(4,703)</b>	(6,057)	–	1	<b>(4,703)</b>	(6,056)
	<b>30,074</b>	<b>6,059</b>	<b>62,489</b>	<b>24,013</b>	<b>(7,786)</b>	<b>1,722</b>	<b>54,704</b>	<b>25,735</b>
	1,122	1,986	<b>1,247</b>	2,176	<b>2,355</b>	(248)	<b>3,602</b>	1,928
	(4,093)	(14,292)	<b>(12,937)</b>	(23,818)	<b>2,439</b>	815	<b>(10,499)</b>	(23,004)
	(434)	(512)	<b>(8,599)</b>	21,691	<b>1,190</b>	(1,348)	<b>(7,409)</b>	20,343
	98	176	<b>98</b>	176	<b>2,492</b>	(1,332)	<b>2,590</b>	(1,156)
	(105)	(645)	<b>(259)</b>	(1,190)	<b>274</b>	253	<b>15</b>	(937)
	(1,143)	430	<b>(1,544)</b>	(186)	<b>(963)</b>	140	<b>(2,507)</b>	(46)
	<b>25,520</b>	<b>(6,799)</b>	<b>40,496</b>	<b>22,862</b>	–	–	<b>40,496</b>	<b>22,862</b>

in EUR '000	Segment total		Reconciliation		Group subtotal	
	2017	2016	2017	2016	2017	2016
<b>SEGMENT OVERVIEW – STATEMENT OF FINANCIAL POSITION</b>						
Revenues from hotels	58,624	81,501	(31,289)	(29,879)	<b>27,335</b>	51,622
Expenses for materials	(21,191)	(27,854)	12,403	11,437	<b>(8,788)</b>	(16,417)
Personnel expenses	(15,847)	(21,232)	8,765	9,260	<b>(7,082)</b>	(11,973)
<b>Gross operating profit (GOP)</b>	<b>21,586</b>	<b>32,414</b>	<b>(10,121)</b>	<b>(9,182)</b>	<b>11,465</b>	<b>23,232</b>
Income after GOP	1,062	809	(887)	(566)	<b>175</b>	243
Management fees	(3,374)	(4,584)	1,664	1,631	<b>(1,710)</b>	(2,953)
Exchange rate differences	(156)	6	(25)	(24)	<b>(181)</b>	(18)
Property costs	(3,433)	(3,511)	2,305	1,777	<b>(1,129)</b>	(1,733)
<b>Net operating profit (NOP)</b>	<b>15,685</b>	<b>25,134</b>	<b>(7,065)</b>	<b>(6,364)</b>	<b>8,619</b>	<b>18,770</b>
Other income/costs after NOP	(644)	(1,747)	(707)	617	<b>(1,351)</b>	(1,130)
Lease/rent	(4,703)	(5,997)	3,155	3,167	<b>(1,549)</b>	(2,830)
Scheduled depreciation and amortisation on fixed assets	(3,135)	(9,401)	2,342	3,057	<b>(793)</b>	(6,344)
Impairment of fixed assets	–	(712)	–	294	–	(418)
Impairment reversals	3,921	3,638	1	–	<b>3,922</b>	3,638
<b>Contribution to the operating profit for the Hotels segment</b>	<b>11,124</b>	<b>10,916</b>	<b>(2,275)</b>	<b>770</b>	<b>8,849</b>	<b>11,686</b>
Less intragroup services	(283)	(1,099)	283	1,099	–	–
<b>Segment EBIT</b>	<b>10,841</b>	<b>9,817</b>	<b>(1,992)</b>	<b>1,869</b>	<b>8,849</b>	<b>11,686</b>
<b>Key operating figures in the Hotels segment</b>						
Employees – Hotels	747	1,164	-230	-287	<b>517</b>	878
Rooms (absolute)	1,684	2,761	-676	-778	<b>1,009</b>	1,983
Rooms available	1,683	2,759	-675	-777	<b>1,008</b>	1,982
Rooms sold	1,238	1,931	-557	-538	<b>681</b>	1,392
Occupancy	74%	70%	-6%	0%	<b>68%</b>	70%
REVPAR (in EUR)	57	53	-18	-10	<b>39</b>	43
<b>Composition of NOP (geographic):</b>						
• Czech Republic	2,329	6,004	(167)	(327)	<b>2,162</b>	5,678
• Poland	8,372	14,961	(4,895)	(4,953)	<b>3,477</b>	10,008
• Romania	370	897	–	–	<b>370</b>	897
• Russia	2,610	2,187	–	–	<b>2,610</b>	2,187
• France	2,003	1,085	(2,003)	(1,085)	–	–

## SEGMENT DISCLOSURES AT GROUP LEVEL(GEOGRAPHIC)

	Hotels		Investment Properties		Development & Services		Group total	
	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16	31/12/17	31/12/16
Composition of non-current assets in accordance with IFRS 8.33 (geographic):								
Austria	–	–	–	–	32	43	<b>32</b>	43
Czech Republic	–	56,100	–	–	24	–	<b>24</b>	56,100
Poland	–	95,109	8,298	–	48,599	25,821	<b>56,897</b>	120,929
Romania	–	12,577	–	–	–	–	–	12,577
Russia	24,400	24,217	72,967	47,246	7,623	20,958	<b>104,990</b>	92,421
Hungary	–	–	22,347	21,330	5,443	3,459	<b>27,790</b>	24,789
<b>Total</b>	<b>24,400</b>	<b>188,003</b>	<b>103,613</b>	<b>68,576</b>	<b>61,721</b>	<b>50,281</b>	<b>189,734</b>	<b>306,859</b>

	2017	2016	2017	2016	2017	2016	2017	2016
Composition of revenues (geographic):								
Austria	–	–	–	–	249	714	<b>249</b>	714
Czech Republic	8,364	18,070	257	332	–	–	<b>8,621</b>	18,401
Poland	9,089	23,793	–	–	1,269	922	<b>10,358</b>	24,714
Romania	1,333	3,178	–	–	–	–	<b>1,333</b>	3,178
Russia	8,723	6,824	11,164	6,452	110	81	<b>19,997</b>	13,357
Hungary	–	–	1,769	1,796	39	40	<b>1,808</b>	1,836
<b>Total</b>	<b>27,509</b>	<b>51,864</b>	<b>13,190</b>	<b>8,580</b>	<b>1,668</b>	<b>1,757</b>	<b>42,367</b>	<b>62,201</b>
Average number of employees	<b>527</b>	891	<b>15</b>	16	<b>37</b>	27	<b>578</b>	933

# Notes on the Consolidated Financial Statements

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2017

## [01] Corporate information

Warimpex Finanz- und Beteiligungs AG (“the Company” or “Warimpex”) is registered with the Commercial Court of Vienna under the 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 2017 were authorised for release to the Supervisory Board by the Management Board on 25 April 2018. It is the duty of the Supervisory Board to review the consolidated financial statements and state whether the consolidated financial statements are approved.

The core activities of the Group encompass the construction of hotels and office buildings as well as the operation of these properties in Central and Eastern Europe. Depending on the market situation and maturity, properties are sold to achieve the maximum added value.

## [02] Segment information

### 2.1. General

Reporting within the Group is based on the following reportable business segments:

- Hotels
- Investment Properties
- Development and Services

The business segments were defined according to the criteria in IFRS 8.5 ff. The individual segments are identified on the basis of their different products and services. The individual hotels and individual managed properties (investment properties) also represent individual business segments based on the Group’s reporting structure and are consolidated under the reportable segments of Hotels and Investment Properties as appropriate in accordance with IFRS 8.12. Detailed information about this can be found in section 2.2.

Transactions between business segments contain the re-charging of intragroup services and project development services at arm’s length terms. Service relationships with a single external customer exceeded 10 per cent of the total Group revenues for the first time during the reporting period; these revenues amounted to EUR 11,274 thousand and pertained to the Investment Properties segment. Revenues from customers are allocated geographically in the segment reporting according to the place of performance.

The internal reporting and segment reporting are completed according to the provisions of the IFRS as they have been adopted by the EU. Part of the activities of all segments are conducted through joint ventures and associates. The income, expenses, assets, and liabilities of joint ventures and associates are included under the principle of proportionate consolidation for segment reporting purposes. The “Reconciliation” column shows the effects from the reconciliation between recognition of the joint ventures and associates using the proportionate consolidation method for the segment information and the equity method in the consolidated financial statements.

## 2.2 Information about the individual business segments

### 2.2.1. Hotels segment

The individual hotels are combined into a single reportable segment on the basis of comparable economic characteristics. This pertains particularly to the type of products and services (lodging, food and beverages), to the production processes in the hotels, to the customer structure (business and leisure), and to the sales channels.

The resulting business segment covers all activities, assets, and liabilities that are associated with the operation of hotels. The hotels are either wholly owned by the Group, partially owned by the Group through joint ventures, or are leased. Nearly all of the hotels are four-star establishments. The following hotels are fully or proportionately included in the segment information:

Czech Republic:	Dvořák spa hotel; until May 2017: Diplomat, angelo Plzeň; until October 2016: angelo Prague
Poland:	InterContinental hotel; until May 2017: andel’s Krakow, Chopin, andel’s Łódź, angelo Katowice, Amber Baltic
Romania:	Until May 2017: angelo Bucharest
Russia:	Crowne Plaza St. Petersburg
France:	Magic Circus, Dream Castle

Key figures that are typical for the sector are used to manage the hotels. These include GOP (gross operating profit, calculated according to the Uniform System of Accounts for the Lodging Industry) and NOP (net operating profit, which corresponds to the GOP less specific costs of ownership such as management fees, insurance, land tax, etc.). A reconciliation of the NOP against the earnings before interest and taxes (EBIT) can be seen in the profit or loss overview for the Hotels segment. Additional hotel-specific metrics are occupancy and the average revenue per available room (REVPAR).



The Hotels segment is analysed according to the cost of sales method for purposes of internal Group reporting. The GOP contains all sales revenues, costs of materials and services, and personnel expenses that are directly related to the operation of the hotel. The NOP also contains the directly allocable costs of the owner.

Hotel revenue consists mainly of revenue for lodging and for food and beverages. The hotels are managed by external service providers; the management fee is generally calculated as a percentage of the revenues and of the GOP. The property costs include insurance and property taxes, among other expenses.

Other costs after NOP include personnel expenses for administrative staff as well as expenses of the owner of the hotel that are not directly attributable to the operation of the hotel.

### 2.2.2. Investment Properties segment

The Investment Properties segment contains the business activities, assets, and liabilities for the non-hotel properties that are currently operated by the Group. These are offices and office buildings that have comparable economic characteristics. The office properties in the reportable segment are comparable in terms of the rendered services (letting), the production processes (construction or purchase of the property, tenant adaptations), the customer groups (corporate customers), and the sales channels.

The properties are either wholly owned by the Group or partially owned by the Group through joint ventures/associates. The Investment Properties segment contains the following buildings for the reporting period:

Czech Republic:	office and retail space, Prague (leased)
Poland:	Mogilska 41, Krakow (from December 2017); Multidevelopment, Krakow (demolished for new building in 2017); Parkur Tower, Warsaw (until June 2016)
Russia:	Zeppelin office tower, Jupiter 1 and 2 office towers (from November 2016), Bykovskaya multi-use building (from June 2017) – all in St. Petersburg
Hungary:	Erzsébet office building, Sajka, Dioszegi (until October 2016) – all in Budapest

This segment is managed on the basis of the performance metrics according to IFRS, in particular EBITDA (earnings before financial expenses and gains/losses on remeasurement). The revenues consist primarily of rental revenue and, if applicable, revenue for tenant adaptations.

### 2.2.3. Development and Services segment

The Development and Services segment contains development activities and other services, as well as the associated assets and liabilities including activities in the Group parent company. The revenues in this segment come either from the sale of developed properties or from development activities and services for third parties, and are subject to significant annual fluctuation. Properties operated under a different segment are reclassified into the Development and Services segment before being sold.

During the reporting period, the segment assets included development properties and properties under construction in Poland, Hungary, and Russia.

This business segment is primarily managed on the basis of sale transactions, and revenue, EBITDA, and the segment result according to IFRS are the most important metrics.

## [03] Basis for preparation

### 3.1. Basis for preparation of the financial statements

The consolidated financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The additional requirements of § 245a (1) UGB (Austrian Commercial Code) were also met.

As a general rule, the consolidated financial statements are prepared using the (amortised) historical cost of all assets; excepted from this rule are investment properties, derivative financial instruments, and available-for-sale financial assets, which are stated at fair value.

The consolidated financial statements are based on the going concern principle.

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

Financial statements of the Group member companies prepared in accordance with local accounting regulations are 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 at 31 December.

All entities that are included in the consolidated financial statements are listed in section 4.1.1.

### 3.2. Changes in accounting policies and regulations

#### 3.2.1. New and amended standards and interpretations – first-time application

##### • Amendments to IAS 7: Disclosure Initiative

Due to these amendments, the Group is required to make additional disclosures to separately report cash and non-cash changes in the liabilities arising from financing activities. In implementation of this provision, Warimpex added the relevant disclosures for 2017 to the overview of liabilities arising from financing activities under item 7.10.4.

##### • Other amendments:

The following amendments that must be applied starting on 1 January 2017 did not have any effects for the Group in the financial year:

- Annual Improvements to IFRS Standards 2014–2016 Cycle
- Amendments to IAS 12: Recognition of deferred tax assets for unrealised losses

#### 3.2.2. New and amended standards and interpretations – not yet applied

The following new or amended standards and interpretations were adopted by the EU after they were published by the IASB and therefore must be applied starting on the specified date (see item 3.2.2.1.):

Standard / Interpretation	Content/ Description	Initial application mandatory starting on
IFRS 15	Revenue from Contracts with Customers (including clarifications)	1/1/18
IFRS 9	Financial Instruments	1/1/18
IFRS 9	Prepayment Features with Negative Compensation	1/1/19*
IFRS 16	Leases	1/1/19
IFRS 4	Applying IFRS 9 with IFRS 4	1/1/18*
IFRS 1	Annual Improvements 2014–2016	1/1/18*
IAS 28	Annual Improvements 2014–2016	1/1/18*
IFRS 2	Classification and Measurement of Share-based Payment Transactions	1/1/18*
IAS 40	Transfers of Investment Property	1/1/18
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1/1/18

The following new or amended standards and interpretations have already been published by the IASB, but have not yet been adopted by the EU (see item 3.2.2.2.):

Standard / Interpretation	Content/ Description	Initial application mandatory starting on
IFRS 17	Insurance Contracts	1/1/21*
IFRIC 23	Uncertainty over Income Tax Treatments	1/1/19
IAS 28	Long-term Interests in Associates and Joint Ventures	1/1/19*
IFRS 3	Annual Improvements 2015–2017	1/1/19*
IFRS 11	Annual Improvements 2015–2017	1/1/19*
IAS 12	Annual Improvements 2015–2017	1/1/19*
IAS 23	Annual Improvements 2015–2017	1/1/19*
IAS 19	Plan Amendment, Curtailment or Settlement	1/1/19*

\* Based on the Group's current assessment, these amendments to the accounting regulations will have no effects or only minor effects on the consolidated financial statements. Therefore, they are not explained in detail in the following. The assessment of the relevance of these amendments will be evaluated on a regular basis before the first-time application date and adapted if necessary.

Warimpex does not intend to apply the new or amended standards and interpretations listed above early.

#### 3.2.2.1. New and amended standards and interpretations (adopted by the EU):

##### IFRS 9: Financial Instruments

IFRS 9 contains regulations for the recognition, measurement, and derecognition of financial instruments and for the recognition of hedging relationships. The new IFRS 9 completely replaces IAS 39. The most important provisions of IFRS 9 are:

##### *Classification and measurement of financial assets:*

IFRS 9 introduces a new classification model for financial assets with three categories:

1. Measured at amortised cost
2. Measured at fair value through other comprehensive income
3. Measured at fair value through profit or loss

The analysis of the Group's financial assets showed that, under the Group's business model, these assets are generally held to collect the contractual cash flows and can continue to be recognised at amortised cost as in the past. Changes only result for the financial assets that were previously classified as available for sale. This pertains to an equity instrument that

was already measured at fair value (see item 7.7.). This instrument will be measured at fair value through other comprehensive income in the future. The new standard eliminates the recognition of impairments through profit or loss and reclassifications from other comprehensive income to the income statement (recycling). Therefore, the available-for-sale reserve will be reclassified to retained earnings as at 1 January 2018.

#### *Impairment:*

IFRS 9 specifies three stages that determine the amount of the losses and interest revenue to be recognised. It specifies that expected losses in the amount of the present value of an expected 12-month loss must be measured upon initial recognition (stage 1). If there is a significant increase in the default risk, the risk provision must be increased to the amount of the expected full lifetime losses for the entire remaining term (stage 2). When there is objective evidence of impairment, interest revenue must be recognised on the basis of the net book value, i.e. the book value less risk provisions (stage 3). In addition, the simplified approach must be applied for trade receivables and IFRS 15 contract assets that do not contain a significant financing component. Under this approach, impairments must be recognised in the amount of the expected lifetime losses for the entire remaining term. There is an accounting policy choice regarding the impairment model that is applied for trade receivables and contract assets that contain a significant financing component as well as for lease receivables. The Group has decided to apply the simplified approach. In accordance with the transitional arrangements, Warimpex plans to recognise additional impairments arising from the first-time application of IFRS 9 in equity as at the first-time application date of 1 January 2018.

#### *Financial liabilities:*

The provisions of IAS 39 were largely adopted for financial liabilities. The most important change pertains to financial liabilities under the fair value option. For these liabilities, changes in value stemming from changes in the default risk must be recognised in other comprehensive income. Warimpex does not currently plan to exercise the accounting policy choice.

The anticipated effects on the consolidated statement of financial position as at 1 January 2018 are as follows:

	As at 31/12/17	Reclassi- fication according to IFRS 9	Transfer according to IFRS 9	As at 1/1/18
<b>In assets:</b>				
Trade and other receivables	13,463		(5)	13,459
Cash and cash equivalents	22,849		(14)	22,835
	<b>36,312</b>	–	<b>(19)</b>	<b>36,293</b>
<b>In equity:</b>				
Retained earnings	59,194	241	(19)	59,416
Other reserves	(1,967)	(241)		(2,208)
	<b>57,228</b>	–	<b>(19)</b>	<b>57,208</b>

In accordance with the transitional arrangements for IFRS 9, the Group does not plan to adjust the prior-period figures. According to the new provisions, future financial statements must contain additional disclosures in the notes, especially with regard to impairments. The guidelines for hedging transactions are not relevant for the Group at this time, but could lead to changes in the approach applied up to now in the event that the Group enters into such a transaction.

#### **IFRS 15: Revenue from Contracts with Customers**

IFRS 15 replaces IAS 11 and IAS 18 and the associated interpretations. IFRS 15 specifies the point in time at which or the period of time over which revenue is to be recognised in what amounts, and requires more extensive disclosures. IFRS 15 must be applied to all customer contracts in general; exceptions apply to certain non-monetary exchanges and certain contracts that are covered by other standards such as leases recognised in accordance with IAS 17 (until 31 December 2018) or IFRS 16 (from 1 January 2019).

The new standard specifies a uniform five-stage model with the following steps:

1. Identification of the contract with a customer
2. Identification of the individual performance obligations in the contract
3. Determination of the transaction price
4. Allocation of the the transaction price to the performance obligations in the contract
5. Recognition of the revenue when the company satisfies a performance obligation (criterion: transfer of control)

Warimpex assessed its revenue flows on a segment basis in order to evaluate the first-time application of IFRS 15:

*Hotels revenues:*

Revenue in the Hotels segment consists mainly of revenue for overnight stays (lodging) and revenue from the sale of food and beverages. IFRS 15 does not result in any changes for these types of performance obligations compared with the recognition of revenue according to IAS 18. The Group expected potential changes related to customer loyalty programmes. However, the evaluation showed that, following the hotel portfolio sale in May 2017 (see item 5.1.), the customer loyalty programmes currently in place in the Group only have a negligible impact on the revenues to be recognised in the future.

*Investment Properties revenues:*

The revenue in this segment is largely made up of rental revenue that is recognised according to IAS 17 (IFRS 16 from 1 January 2019) rather than IFRS 15. The rendering of additional services that must be qualified as separate performance obligations according to IFRS 15 does not result in any changes to the approach applied up to now, either.

*Development and Services revenues:*

In the development segment, IFRS 15 stipulates the recognition of revenue over a period of time for properties that have already been sold but are still in development. Warimpex does not perform such services at this time. Property sales for which the new standard does not result in changes to the recognition of revenue also fall under this business segment. Customer contracts are generally negotiated on an individual basis in the Development and Services segment; therefore, the effects on contracts concluded in the future will also be assessed on an individual basis and recognised accordingly. Deviations from the previous recognition method may result depending on the terms of the given contract.

Warimpex plans to apply the standard according to the modified retrospective approach according to IFRS 15.C3 (b) under which the cumulated effect from the first-time application for contracts that have not yet been fulfilled will be recognised in the retained earnings as at 1 January 2018. Warimpex expects other effects in the form of much more extensive disclosures in the notes and reclassifications within the statement of financial position in order to report contract assets and contract liabilities separately. An amount of EUR 5,646 thousand of the trade and other receivables is expected to be reclassified to the contract assets as at 1 January 2018.

*IFRS 16: Leases*

According to IFRS 16, the lessee is required to recognise the rights and obligations from any leases. In future, lessees must recognise a right-of-use asset and a corresponding lease liability. There are exceptions for short-term contracts and low-value assets, and for certain special cases.

The first-time recognition of the right of use encompasses the following components: the initial measurement of the lease liability (cash value of the lease payments), lease payments made before or at the beginning of the leasing arrangement, direct initial costs of the lessee, and any dismantling costs. Subsequently, the right of use is recognised at amortised cost pursuant to IAS 16 Property, Plant and Equipment and IAS 36 Impairment of Assets. This does not include investment properties that are measured at fair value pursuant to IAS 40.

The lease liability is discounted using the rate implicit in the agreement and reduced by the lease payments. Interest costs and variable lease payments that are not part of the lease liability are recognised in the income statement. Sale and lease-back transactions are only recognised according to IFRS 16 when they involve a sale according to the criteria of IFRS 15 Revenue from Contracts with Customers. Otherwise, the asset shall continue to be recognised on the balance sheet and a financial liability according to IFRS 9 Financial Instruments shall also be recognised. This standard may lead to a different recognition procedure than the approach that has been applied up to now.

The new standard results in no material changes for lessors. The standard still differentiates between finance and operating leasing arrangements.

IFRS 16 is to be applied starting on 1 January 2019. Warimpex does not intend to apply the standard early. According to the Group's current assessment, the most significant change pertains to the recognition of the right of use and lease liability related to the Dvořák hotel in Karlovy Vary, which will amount to roughly EUR 4,300 thousand based on initial calculations.

The review of the quantitative effect of other rental and leasing arrangements of a smaller scale is currently under way and will be completed on time. Warimpex will likely opt for the modified retrospective approach upon initial application of the standard. In addition, there will be more extensive disclosures in the notes.

*Amendments to IAS 40: Transfers of Investment Property*

The amendments create rules for the transfer of properties into or out of the portfolio of investment properties. In particular, the list of examples for transfers is no longer exhaustive. Should



the criteria apply at a future time, these amendments can have an effect on the consolidated financial statements.

#### IFRIC 22:

##### Foreign Currency Transactions and Advance Consideration

IFRIC 22 contains application information for determining the exchange rate when advance payments are made in connection with foreign currency transactions. The time of the transaction for the purposes of currency translation must be determined separately for each instance of consideration paid or received in advance. In future, this interpretation may become relevant to the consolidated financial statements when transactions of this type are conducted.

#### 3.2.2.2. New and amended standards and interpretations (not yet adopted by the EU)

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

#### IFRIC 23:

##### Uncertainty over Income Tax Treatments

This interpretation provides guidelines regarding the accounting for uncertain tax positions under IAS 12. In particular, the Company must make assumptions when determining tax positions (taxable result, tax assessment, loss carryforwards, etc.) pertaining to the probability that the relevant authority will accept the uncertain tax treatment. The effect of the uncertainty must be presented in the statement of financial position based on the assumption that is made. The effects of this interpretation on the consolidated financial statements are still being reviewed.

#### 3.3. Basis of consolidation

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

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 (see section 4.1.). Please refer to the information under section 3.5. for details about the recognition of joint ventures and associates.

#### 3.4. Important accounting judgements and estimation uncertainty

In preparing the consolidated financial statements of the Group, it is necessary to estimate figures and make assumptions which influence the recording of assets and liabilities, the presentation of other obligations as at the reporting date, and the recognition of revenues and expenses during the period. The uncertainty that is associated with these estimates can result in material changes to the values of assets or liabilities in future periods.

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

##### 3.4.1. Measurement of the fair value (IFRS 13)

The Group measures financial instruments such as derivatives and non-financial assets such as investment properties at their fair value on each reporting date. The fair value is the price that would be paid for the transfer of an asset or a liability in a transaction at arm's length terms on the reporting date. In measuring the fair value, it is assumed that the transaction will take place on the primary market or, when such a market does not exist, on the most advantageous market.

All assets and liabilities for which the fair value is measured or that are reported in the consolidated financial statements are classified according to the following fair value hierarchy:

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

Level 2: Measurement methods employing inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Measurement methods employing inputs other than quoted prices included within level 1 that are not observable for the asset or liability

For assets and liabilities that are included in the consolidated financial statements on a recurring basis, the Group determines whether items have been reclassified within the hierarchy by reviewing the classification at the end of every reporting period (based on the lowest level of inputs material for determining the fair value).

Reclassification between the individual levels of the hierarchy

#### 3.4.1.1. Measurement of financial instruments

If the fair value of recognised financial instruments cannot be measured using listed prices on active markets, it is determined using measurement methods including the discounted cash flow approach. The inputs used in the valuation models that fall under level 3 of the hierarchy are based on observable market data to the greatest extent possible. If such data are not available, the fair value is determined in large part at the discretion of the management. This discretion pertains to inputs such as liquidity risk, default risk, and volatility. When changes are made to the assumptions for these factors, this can have an effect on the recognised fair values of the financial instruments.

The available-for-sale financial assets and derivative financial instruments are recognised at fair value in the consolidated statement of financial position. Additional information is provided in sections 7.7. and 7.11. Please refer to sections 3.6. and 8.1. for further information about financial instruments and fair values.

#### 3.4.1.2. Valuation of property

Because of the importance of properties for the Group, the value of properties is generally determined by independent external experts with appropriate professional qualifications and current experience with the location and type of the property in question using recognised appraisal methods. In the cases where there is a binding offer to buy a property or a purchase contract for a property, this is used for the valuation. At 31 December 2017, this applies to the property classified as held for sale in Budapest (see section 5.1.).

The appraisal method used by the expert depends on the type of property. In this, developed properties that generate regular

returns (hotels and office properties), properties under development, and undeveloped plots of land are treated differently.

The discounted cash flow method is generally used to determine the fair value of developed properties. For this, the expected cash flows are discounted on the valuation date. This corresponds to level 3 of the fair value hierarchy. The discount rate reflects current market valuations arising from uncertainties about the amounts and timing of future cash flows. The planning period is generally 10 years plus the terminal value (residual value in year 10), which is determined using the exit yield. The valuation includes a country-specific inflation rate.

The residual value method is generally used for properties under development. For this, the fair value is first determined on the basis of the expected cash flows. The outstanding investment costs and an appropriate project profit for the developer are deducted from this. The project profit is calculated as a percentage of the investment costs, and covers the development risk, among other things.

The fair value of undeveloped properties (reserve properties) is determined using the comparative method, based on standard market prices per square metre.

#### Remeasurement results for investment properties:

Warimpex recognises its investment properties using the fair value model taking external appraisals into account. The remeasurement results that stem from the changes in the fair values are recognised through profit or loss.

Please see section 7.2. for information about the changes in investment properties, the valuation input parameters, and the associated sensitivity information. The gains/losses on remeasurement are shown in section 6.6.

#### Impairment of and reversal of impairments on hotel properties (see also sections 6.6. and 7.1.):

The Group generally recognises the hotel properties as property, plant, and equipment and regularly reviews them for impairment. 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. The recoverable amount of each property is determined on the basis of external appraisals.

Changes in the recoverable amount are recognised on the income statement as follows: impairments in their full amount; impairment reversals only up until the total carrying amount reaches the amortised cost of acquisition. The amortised cost of acquisition is the amount that would result after accounting

for scheduled depreciation and amortisation without any impairment charges in prior years.

The recoverable amount depends heavily on the applied exit yield and the expected future cash inflows.

The impairment reversals and impairment charges are shown in section 6.6. Please see section 7.1. for information on the carrying amounts of these assets.

#### **3.4.2. Determination of the functional currency of foreign business operations**

The functional currency of subsidiaries deviates from the local currency in some cases. At hotels in the EU, the revenue is denominated in euros. The rental revenue from office properties in the Group is also denominated in euros with the exception of Russian properties. The goods and services required for the operation of these hotel and office properties are paid for in part in the local currency and in part in euros. Financing throughout the Group is generally conducted in euros. Applying the discretion permitted in IAS 21.12, the euro is defined as the functional currency for the subsidiaries whose revenue is denominated in euros. The functional currency of each subsidiary is shown in the overview of subsidiaries (section 4.1.1.).

#### **3.4.3. Recognition of deferred tax assets**

Deferred tax assets are recognised 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 utilised. 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 statement of financial position if tax plans for the individual taxable entity make it appear probable that the deferrals can actually be utilised.

Further information is provided in section 6.10. Income taxes and section 7.5. Deferred taxes (tax assets and liabilities).

#### **3.5. Recognition of joint ventures and associates**

An associate is a company in which the Group holds a material interest, in which it can influence decisions, but in which it can exert no control over decision-making processes and in which decisions are not made jointly. In cases of doubt, interests of between 20% and below 50% are classified as associates.

Interests are qualified as joint ventures when an agreement is in place under which the contract partners that exercise joint control over the arrangement have rights to the net assets of

the arrangement. The Group recognises its net investments in joint ventures according to IFRS 11 and interests in associates using the equity method.

In accordance with the equity method of accounting, the equity interests are recognised in the statement of financial position at cost plus any changes in the share of net assets of the equity interest held by the Group. In addition to the cost of acquisition, the net investments include extended loans that are not planned or expected to be repaid in the foreseeable future. The goodwill associated with a joint venture or associate is included in the carrying amount of the respective interest and is not subject to scheduled amortisation. The Group's share in the profit or loss of the entity is recognised on the income statement.

Changes shown in the other comprehensive income of the joint venture or associate are recognised 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 joint ventures/associates are eliminated in line with the Group's share in the joint venture or associate.

The financial statements of the joint ventures and associates 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-realised profits and losses from transactions between the Group and joint ventures. When the Group purchases assets from a joint venture or associate, the Group does not recognise its share of the profits of the joint venture from the transaction until it resells the assets to an independent party.

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

Allocated profits from a joint venture or associate increase the recognised value of the interest, and allocated losses reduce the recognised value down to the amount of the net investment in the entity.

If the net investment has been written down entirely because of the allocation of losses and if the proportionate equity is negative beyond this, an assessment is completed to determine whether provisions must be formed related to associated liabilities or issued guarantees.

The composition of and changes in the net investments in joint ventures and associates and summarised financial information about the key joint ventures can be found in section 7.3.

### 3.6. Financial instruments

#### 3.6.1. Financial assets

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 recognised at fair value through profit or loss, transaction costs directly attributable to the acquisition of the respective asset are additionally taken into account. Classification of financial assets into one of the stated categories is effected upon initial recognition.

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

The category of financial assets measured at fair value through profit or loss includes all derivative financial instruments with positive fair values not held for hedging purposes. There were no derivative financial assets in hedging relationships on the reporting date.

##### 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 amortised cost using the effective interest rate method and taking into account value impairments, if any. Gains and losses are recognised in the profit or loss for the period when the liabilities are derecognised, as well as through the amortisation 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. Unrealised gains and losses are recognised in other comprehensive income. The cumulated gain or loss that was recognised in equity is recognised in profit or loss when available-for-sale financial assets are derecognised.

#### 3.6.2. Impairment of financial assets

On each reporting date, the Group assesses whether a financial asset or group of financial assets is impaired. An impairment exists when one or more events have occurred since the first recognition of the asset that have an effect on the expected future cash flows of the financial asset or group of financial assets that can reliably be estimated. Evidence of impairment can exist when there are signs that a debtor is experiencing significant financial difficulties.

##### Loans and receivables

##### (financial assets carried at amortised cost):

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortised 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 recognised in profit or loss.

Trade receivables, which generally have a term of 10 to 90 days, are recognised and carried at original invoice amount less impairment charges for any uncollectable amounts. An impairment charge is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

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

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

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

If an asset is impaired, the cumulated loss is recognised through profit or loss under financial expenses and deducted from the reserve for value changes for available-for-sale financial assets.

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



**3.6.3. Financial liabilities**

When recognised for the first time, financial liabilities are either categorised as financial liabilities recognised at amortised cost, as financial liabilities recognised at fair value through profit or loss, or as derivative financial instruments in a hedging relationship.

Upon initial recognition, financial liabilities are recognised at fair value; financial liabilities that are recognised at amortised cost are recognised at their fair value less directly allocable transaction costs upon initial recognition.

**Financial liabilities measured at amortised cost:**

After initial recognition, financial liabilities are recognised at amortised cost using the effective interest rate method. Gains and losses are recognised through profit or loss when the liabilities are derecognised, as well as through the amortisation process.

**Financial liabilities measured at fair value through profit or loss:**

The category of financial liabilities measured at fair value through profit or loss includes all derivative financial instruments with negative fair values (including separately recognised embedded derivatives) not held for hedging purposes. Gains and losses from financial liabilities that are recognised at fair value are recorded in the income statement.

**Derivative financial instruments with hedging relationships:**

The derivative financial instruments in a hedging relationship that are held by the Group are cash flow hedges. These serve to protect against the risk of fluctuations in cash flows associated with an asset or liability on the statement of financial position, for example loans subject to variable interest, a risk that may materialise related to 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 recognised in other comprehensive income, while any ineffective portion is recognised immediately in the profit or loss for the period.

Amounts taken to other comprehensive income 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 recognised or when an expected sale occurs. When a hedging relationship results in the recognition of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income become part of the acquisition cost upon recognition of the non-financial asset or liability.

If the intended transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the profit or loss for the period. If the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover, amounts previously recognised in other comprehensive income remain in equity until the intended 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.

The Group did not hold any derivative financial instruments in a hedging relationship as at the reporting date.

**3.6.4. Convertible bonds**

When a convertible bond is issued in euros, the future payment flows are discounted for the agreed term at the agreed interest rate plus a premium that would have been paid had a bond without conversion rights been issued. The amount of this difference is recognised directly in the capital reserve as the value of the conversion right.

For convertible bonds that are not issued in the Group's functional currency, no equity capital component is recognised; instead, the liabilities (bond component) and the conversion rights are recognised separately, the latter as an embedded derivative. The transaction costs that can be allocated to the bond component are distributed over the term according to the effective interest rate method.

The non-derivative portion of the convertible bonds is assigned to the category of liabilities recognised at amortised cost according to IAS 39 and recognised at amortised cost. In subsequent periods, the embedded derivatives are recognised at their fair value. Changes in the values are recognised through profit or loss.

**3.6.5. Derivative financial instruments and hedging transactions**

The Group uses derivative financial instruments. These are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments that are used for hedging purposes and that meet the requirements for hedge accounting according to IAS 39 are designated as part of the hedging relationship and recognised according to the hedge accounting rules (cash flow hedges). Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (see also section 3.6.3.).

**3.6.6. 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 the 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 capitalisation of the leased asset at its fair value at the inception of the lease or, if lower, at the present value of the 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. If the Group will obtain ownership at the end of the lease term, capitalised leased assets are fully depreciated according to IAS 16 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, capitalised leased assets are fully depreciated over the shorter of the estimated useful life of the asset or the lease term.

A surplus from a sale and lease-back transaction that leads to a finance lease is distributed over the term of the leasing arrangement through profit or loss.

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.

**3.7. Non-current assets held for sale**

If individual disposal groups are classified as held for sale, all associated assets and liabilities are reclassified in accordance with IFRS 5. Assets are classified as held for sale when the associated carrying amount is based primarily on a disposal transaction. It must be highly probable that the asset will be sold, and the asset or disposal group must be in an immediately saleable condition. Further criteria for classification as held for sale are related Management Board decisions, the initiation of a search for a buyer or the implementation of the associated plans, and expected sale within one year.

Non-current assets (or disposal groups) that are classified as held for sale are recognised at the lower of the carrying amount or the fair value less selling costs. Investment properties are still subject to the measurement rules of IAS 40, even when they have been classified as held for sale. For this reason, these properties are recognised at fair value, not taking the costs of disposal into account.

Information on the assets held for sale (disposal groups) can be found in section 5.1.

**3.8. Foreign currency transactions and balances**

The financial statements of foreign companies are translated into euros according to the functional currency concept. The functional currency for each entity within the Group is determined on the basis of the relevant criteria (see section 3.4.2.). The items contained in the financial statements of each entity are translated on the basis of the functional currency.

Where the transactions that are relevant in determining an entity's functional currency change, this will lead to a change in the functional currency of the respective entity. An overview of the functional currencies is presented in section 4.1.1.

**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.

When the respective local currency is not the functional currency for foreign businesses, 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 recognised 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 (foreign businesses):**

The assets and liabilities of the foreign subsidiaries are translated into euros at the valid rate on the reporting date. The income and expenses are translated at the spot rate on the date of the transaction, or at average rates for the purposes of simplification. All exchange differences that arise are recognised in other comprehensive income. Upon disposal of a foreign

entity, the deferred cumulated amount related to the particular subsidiary previously recognised in other comprehensive income is transferred to the statement of comprehensive income. When settling internal monetary assets and debts within the Group, the translation difference is recognised through profit or loss so far as the difference is not a translation difference from monetary items that are part of the net investment in a foreign business. These are recognised in the other comprehensive income, and are transferred from equity to the profit or loss statement in the event that the net investment is sold.

#### Exchange rates:

The exchange rates on 31 December 2017, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31/12/2017	31/12/2016
Polish zloty	(PLN/EUR)	4.1709	4.4240
Czech koruna	(CZK/EUR)	25.5400	27.0200
Hungarian forint	(HUF/EUR)	310.14	311.02
Russian rouble	(RUB/EUR)	68.8668	63.8111
Romanian leu	(RON/EUR)	–	4.5411

### 3.9. Property, plant, and equipment

Property, plant, and equipment that is eligible for depreciation is recognised at cost of acquisition or production less scheduled depreciation and impairment charges and plus any impairment reversals in accordance with IAS 16. Scheduled depreciation is applied on a straight-line basis and is 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 capitalised are also written down over their estimated useful lives. 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.

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 fixtures) and depreciated individually. Please see section 7.1. in the notes for information about the useful lives.

Production costs of property, plant, and equipment developed by the Group contain direct expenses plus allocated material and production overheads. Borrowing costs are capitalised according to IAS 23 where they can be directly attributed to the project under development through specific project financing or loans from joint venture partners, minority shareholders, or majority shareholders, for example. These costs are also written down over the estimated useful economic lives of the respective assets.

A property, plant, and equipment item is derecognised 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 recognised through profit or loss in the period in which the asset is derecognised.

### 3.10. Investment properties

These assets are recognised at fair value according to IAS 40. Changes in the fair value result in measurement gains or losses that are recognised through profit or loss during the financial year.

Investment properties are classified as such when there is no intention to sell them or use them for Group purposes and they are held to generate rental revenue or value increases.

Investment properties are derecognised 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 recognised through profit or loss at the time at which the property is disposed of or sold.

### 3.11. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with a maturity of three months or less from the time of acquisition.

The Group holds bank deposits that serve as collateral for guarantees or loans. These are not reported under the cash and cash equivalents, but under the other financial assets.

### 3.12. Pensions and other employee benefits

Provisions for severance payments and long-term service bonuses for employees and members of the Management Board are primarily recognised 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.

The provisions are measured using the projected unit credit method. For this, the expected benefits to be paid are distributed according to the active time of the employee until retirement. The provision amounts are determined on the reporting date by an external expert in the form of an actuarial opinion.

Valuation changes are recognised in other comprehensive income in the period in which they are incurred according to IAS 19. The interest component is taken into account in finance expenses. Provisions for pensions and other long-term employee benefits pertain solely to the Development and Services segment.

Pension agreements were in force with two Management Board members of the parent company on the reporting date. Pension reimbursement insurance has been taken out for these pension commitments. Annual contributions are made to this item, which is dedicated to the coverage of the pension obligations and is of a long-term nature. The pension reimbursement insurance is not a pension plan asset within the meaning of IAS 19 and must be recognised separately. The Group's pension plan is a defined benefit plan and is unfunded.

Reimbursement rights from this pension reimbursement insurance in the amount of EUR 556 thousand (2016: EUR 464 thousand) are reported under the non-current other financial assets. The pension reimbursement insurance includes the actuarial capital including profit shares.

Due to the amount of the pension commitment, which is covered by the pension reimbursement insurance, no material risk is associated with the pension plan.



### 3.13. Revenue recognition

#### Income recognition in accordance with IAS 18:

Revenues from the sale of goods or rendering of services and income from rent are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer or when the services have been effectively rendered.

Interest income is recognised when interest entitlements accrue.

Dividend income is recognised when the Group's right to receive the payment is established.

#### Gains from the sale of subsidiaries (IFRS 10):

Income is recognised when control of the subsidiary is lost in accordance with IAS 10.25. In the case of the sale of a subsidiary, the difference between the sale price and the net assets plus cumulated foreign currency translation differences recognised in other comprehensive income and the goodwill are recognised through profit or loss at the point that the material opportunities and risks are transferred.

### 3.14. Deferred taxes

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

Deferred tax liabilities are recognised 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 no impact on the pre-tax result or the taxable result.

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

The carrying amount of deferred income tax assets is reviewed on each reporting 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 assets to be utilised. Unrecognised deferred tax assets are reassessed on each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when an asset will be realised or a liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted on the reporting date.

Income tax related to items recognised either in other comprehensive income or directly in equity are not included in the profit or loss for the period.

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

## [04] Information about the companies and interests in other companies included in the consolidated financial statements

### 4.1. Information about consolidated subsidiaries

#### 4.1.1. Overview of subsidiaries

The following entities are fully consolidated:

Included equity holdings	Domicile/country	Voting rights share and equity interest		Share capital in thousands	Currency of capital	Functional currency*	Activity/segment
		direct	indirect				
<b>100% interests:</b>							
Grassi Hotelbeteiligungs- und Errichtungs GesmbH	A-Vienna	100%	–	2,943	EUR	EUR	H
Grassi H1 Hotel-beteiligungs GmbH <sup>1</sup>	A-Vienna	100%	–	35	EUR	EUR	H
→ Recoop Tour a.s. <sup>2</sup>	CZ-Prague	–	100%	24,000	CZK	EUR	H
Warimpex Leasing GmbH	A-Vienna	100%	–	500	EUR	EUR	DS
→ Amber Baltic sp. z o.o. <sup>2</sup>	PL-Miedzyzdroje	–	100%	38,325	PLN	EUR	H
WX Leuchtenbergring GmbH	D-Munich	100%	–	25	EUR	EUR	DS
REVITÁL ZRt.	HU-Budapest	100%	–	220,500	HUF	HUF	DS
BÉCSINVESTOR Kft.	HU-Budapest	100%	–	35,380	HUF	EUR	IP
WARIMPEX-INVESTCONSULT Kft. i.L.	HU-Budapest	100%	–	10,000	HUF	EUR	DS
ELSBET Kft.	HU-Budapest	100%	–	103,000	HUF	EUR	IP
Hamzsa-Office Kft.	HU-Budapest	100%	–	15	HUF	EUR	DS
UBX Praha 1 s.r.o. <sup>3</sup>	CZ-Prague	100%	–	33,200	CZK	EUR	H
Warimpex CZ s.r.o. <sup>5</sup>	CZ-Prague	100%	–	200	CZK	CZK	DS
Balnex 1 a.s.	CZ-Prague	100%	–	4,557	CZK	EUR	H
WX Praha 1 s.r.o. i.L.	CZ-Prague	100%	–	147,000	CZK	CZK	DS
Vladinvest Praha s.r.o.	CZ-Prague	100%	–	3,100	CZK	CZK	IP / DS
WX Office Development p. z o.o.	PL-Warsaw	100%	–	100	PLN	PLN	DS
Multi Development sp. z o.o.	PL-Warsaw	100%	–	50	PLN	PLN	DS
→ WX Office Innovation sp. z o.o. <sup>2</sup>	PL-Warsaw	3%	97%	5	PLN	PLN	IP / DS
WX Krakow sp. z o.o. i.L.	PL-Krakow	100%	–	5	PLN	PLN	DS
Hotel Rondo Krakow sp. z o.o.	PL-Krakow	100%	–	5	PLN	PLN	DS
→ WX Krakow sp. z o.o. SKA	PL-Krakow	–	100%	11,207	PLN	EUR	H
Mogilska Office Development sp. z o.o.	PL-Krakow	100%	–	7,045	PLN	PLN	DS
→ Limonite sp. z o.o.	PL-Krakow	–	100%	8,035	PLN	PLN	DS
WX Office Development 2 sp. z o.o.	PL-Warsaw	100%	–	150	PLN	EUR	DS
Warimpex Polska sp. z o.o.	PL-Warsaw	100%	–	2,000	PLN	PLN	DS
Andel's Lodz sp. z o.o. <sup>2</sup>	PL-Warsaw	100%	–	50	PLN	EUR	H
WX Budget Hotel Holding S.A.	LU-Luxembourg	100%	–	80	EUR	EUR	DS
→ Warimpex Property HU 2 Kft.	HU-Budapest	–	100%	600	HUF	HUF	DS
WX Krakow Holding S.A.	LU-Luxembourg	100%	–	31	EUR	EUR	DS
→ UBX Krakow sp. z o.o. <sup>2</sup>	PL-Warsaw	–	100%	50	PLN	EUR	H
WX Management Services sp. z o.o. Prozna Development SKA	PL-Warsaw	–	100%	50	PLN	EUR	DS
→ Le Palais Holding s. a r.l.	LU-Luxembourg	–	100%	13	EUR	EUR	DS
→ Prozna Investments sp. z o.o.	PL-Warsaw	–	100%	23,550	PLN	PLN	DS
Kopernik Development sp. z o.o.	PL-Warsaw	100%	–	25	PLN	PLN	DS
WX Warsaw Holding S.A. <sup>4</sup>	LU-Luxembourg	100%	–	31	EUR	EUR	IP
Sugura S.A. <sup>5</sup>	LU-Luxembourg	100%	–	31	EUR	EUR	H
→ Comtel Focus S.A. <sup>2</sup>	RO-Bucharest	–	100%	10,232	RON	EUR	H
ZAO Avielen Parking <sup>1</sup>	RU-St. Petersburg	100%	–	30	RUB	RUB	IP
AO Atmosfera <sup>6</sup>	RU-St. Petersburg	100%	–	30	RUB	RUB	DS
<b>Non-controlling interests:</b>							
El Invest Sp. z o.o.	PL-Warsaw	81%	–	1,300	PLN	PLN	DS
ZAO Avielen A.G.	RU-St. Petersburg	55%	–	370,001	RUB	RUB	H / IP / DS

Note:

H = Hotels segment

IP = Investment Properties segment

DS = Development and Services segment

i.L. = These companies are in liquidation.

→ These are indirect subsidiaries with the company specified above as the parent company.

\* Discretionary decisions on the functional currency are explained in section 3.4.2.

<sup>1</sup> The shares in these companies were transferred to the Group parent in an intragroup transaction during the financial year.

<sup>2</sup> These hotel companies were sold on 31 May 2017 (see section 5.1.).

<sup>3</sup> The shares were sold in 2016 (see section 5.5.).

<sup>4</sup> The company was liquidated in 2016.

<sup>5</sup> The company was liquidated during the financial year.

<sup>6</sup> The company was newly established in the reporting period.

#### 4.1.2. Information about subsidiaries with non-controlling interests

The information about subsidiaries in which material non-controlling interests are held pertains to general information and summary financial information about each company. The financial information below is amounts before intragroup reconciliation. Dividends were not assigned to the non-controlling interests.

Overview of non-controlling interests:

Company	Domicile/country	Voting rights and capital share non-controlling interests		Profit/loss attributable to non-controlling interests		Total non-controlling interests	
		31/12/17	31/12/16	2017	2016	31/12/17	31/12/16
ZAO Avielen A.G.	RU-St.Petersburg	45%	45%	(60)	5,432	(27,563)	(27,225)
El Invest Sp. z o.o.	PL-Warsaw	19%	19%	15	7	117	94
<b>Total non-controlling interests</b>						<b>(27,445)</b>	<b>(27,130)</b>

## Summary financial information:

	ZAO Avielen A.G.	
	31/12/17	31/12/16
<b>Summary balance sheet:</b>		
Non-current assets	92,126	104,963
Current assets	11,824	2,795
<b>Total assets</b>	<b>103,951</b>	<b>107,758</b>
Equity – Group share	(33,688)	(33,275)
Equity – non-controlling interests	(27,563)	(27,225)
Non-current liabilities	157,532	161,369
Current liabilities	7,669	6,889
<b>Total equity and liabilities</b>	<b>103,951</b>	<b>107,758</b>
	<b>2017</b>	<b>2016</b>
<b>Summary profit or loss statement:</b>		
Income	22,372	14,502
Expenses	(22,506)	(2,430)
<b>Profit or loss for the period</b>	<b>(134)</b>	<b>12,072</b>
<i>thereof attributable to shareholders of the parent</i>	(74)	6,640
<i>thereof attributable to non-controlling interests</i>	(60)	5,432
<b>Other income/expenses</b>	<b>(618)</b>	<b>(1,174)</b>
<i>thereof attributable to shareholders of the parent</i>	(340)	(646)
<i>thereof attributable to non-controlling interests</i>	(278)	(528)
<b>Profit/loss for the period</b>	<b>(751)</b>	<b>10,898</b>
<i>thereof attributable to shareholders of the parent</i>	(413)	5,994
<i>thereof attributable to non-controlling interests</i>	(338)	4,904
	<b>2017</b>	<b>2016</b>
<b>Summary cash flow statement:</b>		
Net cash flows from operating activities	12,196	5,605
Net cash flows from investing activities	(8,433)	(2,281)
Net cash flows from/used in financing activities	5,355	(4,702)
<b>Net change in cash and cash equivalents</b>	<b>9,118</b>	<b>(1,378)</b>

**4.1.3. Other disclosures****Nature and extent of material restrictions in connection with subsidiaries:**

The subsidiaries are subject to contractual restrictions on the use of assets and the payment of interest and dividends to shareholders and on the repayment of shareholder loans based on existing credit agreements. For information on the granting of mortgage collateral to lenders, please see the information in section 7.1. Property, plant, and equipment and section 7.2. Investment properties about the carrying amounts of the assets in question.

There are no restrictions based on industrial property rights of non-controlling interests in the Group.



## [05] Property sales and changes in the scope of consolidation

### 5.1. Sale of hotel holdings and non-current assets classified as held for sale

On 23 February 2017, Warimpex Finanz- und Beteiligungs AG signed a framework agreement for the sale of hotel holdings to U City Public Company Ltd.; the contract closed on 31 May 2017. The following hotel companies and hotel operations were sold to a subsidiary of U City Public Company Ltd. effective 31 May 2017:

- Recoop Tour a.s. (Diplomat Hotel, Prague)
- UBX Plzen Real Estate s.r.o. (owner of angelo hotel in Plzeň), 50% share
- UBX Plzen s.r.o. (leaseholder of angelo hotel in Plzeň), 50% share
- Andel's Lodz Sp. z o.o. (andel's hotel in Łódź)
- UBX Krakow Sp. z o.o. (leaseholder of andel's hotel in Krakow)
- WX Krakow Sp. z o.o. SKA (Chopin Hotel, Krakow)
- Hotel Management Angelo Katowice Sp. z o.o. (leaseholder of angelo hotel in Katowice), 50% share
- UBX Katowice Sp. z o.o. (owner of angelo hotel in Katowice), 50% share
- Amber Baltic Sp. z o.o. (Amber Baltic hotel, Miedzyzdroje)
- Comtel Focus S.A. (angelo hotel in Bucharest)

The assets and liabilities of the companies to be sold and the net investments in joint ventures were classified as held for sale according to IFRS 5 in the consolidated financial statements as at 31 December 2016. The assets held for sale and disposal groups and the associated liabilities changed as follows during the reporting period:

	As at 1/1	Addition	Disposal	As at 31/12
<b>Assets according to IFRS 5:</b>				
Property in Budapest	–	5,400	–	5,400
Hotel properties	157,724	1,412	(159,137)	–
Net investments in joint ventures	5,399	319	(5,718)	–
Other current receivables	4,107	638	(4,745)	–
Cash and cash equivalents	1,954	2,073	(4,027)	–
<b>Net assets according to IFRS 5</b>	<b>169,185</b>	<b>9,843</b>	<b>(173,627)</b>	<b>5,400</b>
<b>Liabilities according to IFRS 5:</b>				
Project loans	91,977	(431)	(91,546)	–
Other liabilities	5,372	913	(6,286)	–
Liabilities to affiliated companies	3,342	246	(3,589)	–
Deferred income	6,548	(658)	(5,890)	–
Deferred taxes	8,231	315	(8,546)	–
	<b>115,470</b>	<b>386</b>	<b>(115,856)</b>	–
Subtotal carrying amount disposals assets/liabilities according to IFRS 5			(57,771)	
less reclassified reserves			(1,190)	
plus disposed shareholder loans			44,472	
<b>Total carrying amount disposal</b>			<b>(14,489)</b>	

The contract for the sale of the Üllői ut property in Budapest was concluded on 5 March 2018.

**5.2. Other disposals**

In the first half of 2017, the contract for the sale of the remaining 6% stake in UBX 2 Objekt Berlin GmbH closed, resulting in a profit of EUR 565 thousand and a cash inflow of EUR 633 thousand.

**5.3. Subsequent purchase price adjustments**

An agreement was reached in June 2017 on a purchase price increase of EUR 1,500 thousand that was contractually agreed in 2010 in relation to the sale of shares in Palais Hansen Immobilienentwicklungs GmbH. The proceeds are reported in the gains or losses from the disposal of properties.

Additional income in the amount of EUR 125 thousand is the result of the final purchase price settlement for the sale of UBX 1 Praha s.r.o. (angelo hotel Prague) in 2016. The purchase price claim in the amount of EUR 3,000 thousand resulting from the sale in 2016 was received in the reporting period.

**5.4. Effects on the consolidated financial statements**

The sales by the Group reported above had the following overall effects on the consolidated financial statements:

<b>Consolidated statement of financial position:</b>	<b>Assets</b>	<b>Equity and liabilities</b>
Financial assets, available for sale	(583)	
Available-for-sale reserve (reclassified to income statement)		661
Provisions related to sales of assets classified as available for sale		(146)
Cash flow hedge reserve (reclassified to income statement)		(1,190)
Discharged shareholder loans		44,472
Assets and liabilities of a disposal group classified as held for sale (IFRS 5)	(173,627)	115,856
<i>thereof outflow of cash and cash equivalents</i>	<i>(4,027)</i>	
	<b>(174,210)</b>	<b>159,654</b>

<b>Consolidated income statement:</b>	<b>2017</b>
Agreed (net) purchase price for the properties/shares	61,030
Carrying amount of the proportionate net assets of the sold properties/companies	(14,557)
Carrying amount disposal of proportionate shareholder loans	(17,839)
Directly allocable expenses in connection with the sale of interests and properties	(2,059)
<b>Net result</b>	<b>26,575</b>

<b>Cash flow:</b>	<b>2017</b>
Agreed consideration for transactions in 2017	59,404
Agreed purchase price adjustments for transactions from prior periods	1,626
	61,030
plus paid Group liabilities	26,633
Less/plus:	
Directly allocable cash paid	(2,059)
Net purchase price claims at the reporting date (see section 7.6.)	(5,647)
Payments received from purchase price claims	3,000
Payments received from the sale of properties and interests	82,956
less outflow of cash and cash equivalents	(4,027)
<b>Cash flow</b>	<b>78,929</b>

**5.5. Disposal of shares and property in the previous year**

The following sale transactions were conducted in the Group in 2016:

**Sale of Parkur Tower:**

In June 2016, the 50% stake in GF Ramba sp. z o.o., which is the owner of the Parkur office tower in Warsaw, was sold to the joint venture partner. The purchase price for the shares was roughly EUR 16 thousand; the transaction resulted in a positive profit contribution of EUR 147 thousand. Shareholder's loans in the amount of EUR 2,223 thousand were repaid to Warimpex in this context.

**Sale of angelo hotel Prague:**

All of the shares in UBX 1 Praha s.r.o., Prague, were sold to an investor in October 2016. The company owns and operates the angelo hotel in Prague. The purchase price was EUR 13,145 thousand, and the transaction made a positive profit contri-

bution of EUR 8,439 thousand and a net liquidity inflow of EUR 9,341 thousand. The deferral of part of the purchase price in the amount of EUR 3,000 thousand until October 2017 was agreed with the buyer. This purchase price claim was subject to 5.1 per cent interest. The deferred amount including interest was paid as agreed in October 2017.

**Sale of Dioszégi office building, Budapest:**

The Dioszégi office building in Budapest was sold in October 2016. The purchase price was slightly higher than the last appraisal at EUR 900 thousand. The profit was EUR 88 thousand and cash of EUR 900 thousand was received by the Group.

The sales by the Group reported above had the following overall effects on the consolidated financial statements as at 31 December 2016:

<b>Consolidated statement of financial position:</b>	<b>Assets</b>	<b>Equity and liabilities</b>
Real estate	(13,277)	
Goodwill	(921)	
Net investments in joint ventures	131	
Current assets and liabilities	(453)	355
Cash and cash equivalents	(243)	
Assets and liabilities of a disposal group classified as held for sale (IFRS 5)	(2,053)	1,856
Project loans		9,420
Deferred taxes	–	201
	<b>(16,816)</b>	<b>11,831</b>

<b>Consolidated income statement:</b>	<b>2016</b>
Agreed (net) purchase price for the properties/shares	14,061
Carrying amount of the proportionate net assets of the sold properties/companies	(4,985)
Directly allocable expenses in connection with the sale of interests and properties	(403)
<b>Net result</b>	<b>8,674</b>

<b>Cash flow:</b>	<b>2016</b>
Agreed consideration	14,061
Less/plus:	
Directly allocable cash paid	(403)
Net purchase price claim at the reporting date (UBX Praha 1 s.r.o)	(3,000)
Payments received from the sale of properties and interests in the reporting period	10,658
less outflow of cash and cash equivalents	(401)
<b>Cash flow</b>	<b>10,258</b>

## [06] Notes to the consolidated income statement

### 6.1. Revenues

The revenues are broken down according to the business segments of the Group.

The hotel revenues declined significantly compared with the prior year due to the sale of a substantial portion of the hotel portfolio (see section 5.1.) on 31 May 2017. The increase in rental revenue from investment properties resulted primarily from the rental of the Bykovskaya multi-use building in St. Petersburg, which was completed in 2017, and from index adjustments.

The revenue in the Development and Services segment includes revenue with joint ventures in the amount of EUR 249 thousand (2016: EUR 418 thousand).

### 6.2. Expenses directly attributable to revenues

	2017	2016
<b>Composition of direct Hotels expenses:</b>		
Expenses for materials and services rendered	(10,845)	(20,123)
Personnel expenses	(6,750)	(11,257)
Other expenses	(1,294)	(1,715)
	<b>(18,890)</b>	<b>(33,094)</b>

Expenses for materials and services rendered include management fees from the Hotels segment to a company that was an affiliated company until 31 May 2017 (Vienna International Hotelmanagement AG) in the amount of EUR 792 thousand (2016: EUR 2,783 thousand) – see item 9.3.1.

	2017	2016
<b>Composition of direct Investment Properties expenses:</b>		
Expenses for materials and services rendered	(1,757)	(1,511)
Personnel expenses	(116)	(43)
Other expenses	(541)	(289)
	<b>(2,415)</b>	<b>(1,842)</b>

	2017	2016
<b>Composition of direct Development and Services expenses:</b>		
Expenses for materials and services rendered	(479)	(542)
Personnel expenses	(70)	–
Other services	(102)	(488)
	<b>(651)</b>	<b>(1.030)</b>

### 6.3. Other operating income

	2017	2016
<b>Composition:</b>		
Income from the release of deferred items (see section 7.14.)	634	1,328
Foreign currency translation differences	482	331
Other	555	133
	<b>1,672</b>	<b>1,792</b>

### 6.4. Administrative expenses

	2017	2016
<b>Composition:</b>		
Other personnel expenses	(8,324)	(7,535)
Other administrative expenses	(3,904)	(3,979)
	<b>(12,228)</b>	<b>(11,514)</b>

The individual components of the administrative expenses are explained in sections 6.4.1. and 6.4.2.

#### 6.4.1. Other personnel expenses

	2017	2016
<b>Composition:</b>		
Wages and salaries	(12,780)	(14,506)
Ancillary wage and salary costs	(1,811)	(2,845)
Expenses for posted employees	(767)	(1,244)
Expenses/income related to holiday, severance, pension, and anniversary bonus benefits	98	(240)
	<b>(15,260)</b>	<b>(18,834)</b>
Less personnel expenses directly attributable to revenues	6,936	11,299
<b>Other personnel expenses</b>	<b>(8,324)</b>	<b>(7,535)</b>

During the reporting period, the Group had an average of 578 (2016: 933) employees.

Please see section 9.3.2.2. for information about directors' remuneration.



**6.4.2. Other administrative expenses**

	2017	2016
<b>Composition:</b>		
Administrative costs	(1,966)	(1,335)
Legal and consulting costs	(769)	(1,100)
Sundry administrative expenses	(1,169)	(1,544)
	<b>(3,904)</b>	<b>(3,979)</b>

Fees were paid to the Group financial auditor, Ernst & Young Wirtschaftsprüfungs GmbH, Vienna, for the financial year as follows: EUR 90 thousand (2016: EUR 105 thousand) for auditing services, and EUR 35 thousand (2016: EUR 0 thousand) for other services.

**6.5. Other expenses**

	2017	2016
<b>Composition:</b>		
Real estate lease expenses	(1,638)	(2,830)
Property costs	(1,405)	(1,492)
Public relations and stock exchange listing	(879)	(404)
Non-deductible input taxes	(251)	(274)
Operational foreign currency translation differences	(176)	(98)
Sundry other expenses	(307)	(642)
	<b>(4,658)</b>	<b>(5,740)</b>
Less administrative expenses directly attributable to revenues	1,832	2,004
<b>Other expenses</b>	<b>(2,825)</b>	<b>(3,736)</b>

Property costs consist of owner expenses such as maintenance, insurance premiums, and property taxes. The real estate lease expenses pertain primarily to the andel's hotel in Krakow (until 31 May 2017) and to the Dvořák spa hotel in Karlovy Vary. Non-recoverable VAT results from the Dvořák spa hotel, as this hotel differentiates between its hotel operations and (VAT-exempt) medical spa operations, and from non-deductible input taxes of the Group parent company.

**6.6. Depreciation, amortisation, and remeasurement**

	2017	2016
<b>Composition:</b>		
Scheduled amortisation and depreciation	(895)	(6,415)
Impairments	–	(491)
Reversals of impairment on property, plant, and equipment	4,631	3,638
Gains/losses on remeasurement of non-current assets held for sale	1,174	–
Measurement gains (from investment properties)	20,892	13,609
Measurement losses (from investment properties)	(4,703)	(6,056)
	<b>21,098</b>	<b>4,285</b>

The scheduled depreciation, impairments, and impairment reversals pertain to the property, plant, and equipment (primarily hotel properties) that are recognised at amortised cost according to IAS 16. The decline compared with the previous year and the gains/losses on the remeasurement of non-current assets held for sale can be attributed to the sale of hotels on 31 May 2017 (see section 5.1.). Measurement gains and losses result from the changes in the fair values of the investment properties, which are recognised at fair value according to IAS 40.

Appraisals were obtained from the property valuation company CBRE Hotels for the hotel properties on the reporting date (see section 3.4.1.2.). These valuations are based on assumptions about the future development of earnings that reflect the prevailing market conditions on 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. The agreed purchase price was used for the measurement of the available-for-sale property in Budapest (see section 9.4.).

**Impairment reversals:**

During the reporting period, impairments in the amount of EUR 2,748 thousand (2016: EUR 3,638 thousand) were reversed in the Hotels segment and in the amount of EUR 1,883 thousand (2016: EUR 0 thousand) in the Development and Services segment.

The recoverable amount of the hotels for which an impairment reversal was recognised in the reporting period comes to EUR 24,396 thousand (2016: EUR 79,029 thousand); this amount in the Development and Services segment was EUR 3,857 thousand (2016: 2,589 thousand).

#### Gains/losses on remeasurement of investment property:

The measurement gains are primarily the result of the construction progress on the development projects in Łódź and Krakow as well as the completion and rental of the Bykovskaya multi-use building in St. Petersburg. The value increases for the developed properties in St. Petersburg and Budapest can be attributed to higher rental revenue and the application of lower interest rates for the calculation. The majority of the measurement losses are related to a development property in St. Petersburg.

In the prior year, the measurement gains on the investment properties pertained largely to the office building that is under development in Łódź and to the Zeppelin office tower in St. Petersburg thanks to improved economic parameters in Russia. The measurement losses in the prior year were primarily the result of a development project in Krakow following the reduction in the planned office space.

#### 6.7. Finance revenue

	2017	2016
<b>Composition:</b>		
Impairment reversal on loans to joint ventures/associates	2,445	–
Interest received from extended loans	735	1,088
Joint ventures guarantee fees	155	461
Other interest received	249	226
Unrealised gains on derivative financial instruments	18	153
	<b>3,602</b>	<b>1,928</b>

The interest received from extended loans and the impairment reversal on loans to joint ventures/associates pertain to AO Micos (see explanation regarding Micos in section 7.3.2.).

#### 6.8. Finance expenses

	2017	2016
<b>Composition:</b>		
Loan interest	(4,671)	(7,548)
Impairment of loans to associates	–	(9,249)
Interest on loans from minority shareholders	(2,023)	(1,871)
Interest on bonds	(2,038)	(2,836)
Other financing expenses	(749)	(824)
Not yet realised losses from derivative financial instruments	(527)	–
Interest on convertible bonds	(455)	(549)
Expenses from early redemption of convertible bonds	–	(13)
Interest paid to related parties	–	(70)
Interest cost for provisions for pensions and other long-term employee benefits	(35)	(42)
	<b>(10,499)</b>	<b>(23,004)</b>

The not yet realised losses from derivative financial instruments result from the measurement of the embedded derivatives in connection with convertible bonds (see also section 7.1.1.).

Please see section 7.10.5. for information about the terms for interest-bearing financial liabilities. The other financing expenses include lending commitment fees and transaction costs, costs from the assumption of financial liabilities, and other loan-related costs distributed over the respective terms using the effective interest rate method.

The impairment on loans to associates in the prior year pertains to Micos. An impairment reversal was recognised in the financial year (see section 6.7.)

**6.9. Foreign exchange rate changes in the financial result**

	2017	2016
<b>Composition:</b>		
From EUR financing (deviating functional currency)	(6,975)	20,856
From EUR claims (deviating functional currency)	–	(998)
From (convertible) bonds in PLN	(434)	486
Other financing-related foreign exchange rate changes	–	(2)
	<b>(7,409)</b>	<b>20,343</b>

The foreign exchange translation gains and losses from EUR financing at subsidiaries pertain to bank loans and loans from minority shareholders in subsidiaries where the functional currency is the local currency and the financing is denominated in euros. This pertains entirely to subsidiaries in Russia.

The translation differences of foreign currencies according to IAS 21 totalled EUR -7,103 thousand (2016: EUR 20,575 thousand) in the reporting period. This amount consists of operating translation differences in the amount of EUR -176 thousand (contained in other expenses), income from foreign currency translation in the amount of EUR 482 thousand (included in the other income), and translation differences in the financial result.

**6.10. Income taxes**

A reconciliation between income tax expense and the product of the profit for the period multiplied by the Group's domestic

tax rate of 25% (valid corporate income tax rate in Austria) for the reporting period and previous year is as follows:

	2017	2016
<b>Reconciliation of tax expenses:</b>		
<b>Consolidated income statement</b>		
Earnings before taxes	42,988	23,845
Accounting profit before income tax x 25% tax rate	(10,747)	(5,961)
± Changes in tax rates	–	(1)
± Other foreign tax rates	3,423	1,216
± Effects of tax-exempt results	5,752	472
± Permanent differences	1,561	(1,335)
± Expired loss carryforwards	–	(5)
± Effects of changes in the previous year	257	(529)
± Impairment of deferred tax assets	71	(118)
± Use of previously unrecognised tax assets	256	5,304
± Unused temporary differences	(3,329)	(109)
± Foreign withholding taxes and minimum corporate income taxes	(222)	(8)
± Effects of changes in equity	–	78
± Effects of exchange rate fluctuations	485	12
<b>Taxes according to the income statement</b>	<b>(2,492)</b>	<b>(983)</b>
Effective tax rate	5.80%	4.12%
<b>Consolidated statement of comprehensive income</b>		
± Cash flow hedges	–	140
± Remeasurement of available-for-sale financial assets	22	(64)
± Remeasurement according to IAS 19	–	(5)
± OCI result allocation from joint ventures	(7)	2
± Non-controlling interests	(45)	48
± Effects of exchange rate fluctuations	(60)	38
	<b>(90)</b>	<b>160</b>

Of the actual income taxes incurred during the reporting period, an amount of EUR 383 thousand pertains to the prior year.

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

Deferred tax assets and liabilities are recognised for temporary differences associated with joint ventures and applied to the extent that these differences result in tax liability. Deferred tax assets and liabilities are recognised for all temporary differences associated with interests in subsidiaries within the scope of the outside basis differences.

The Group has loss carryforwards of EUR 124,323 thousand (2016: EUR 145,770 thousand) at its disposal. Of these tax loss carryforwards, EUR 34,016 thousand (2016: EUR 46,112 thousand) are offset against deferred tax liabilities; deferred taxes were recognised for tax loss carryforwards in the amount of EUR 9,558 thousand (2016: EUR 9,637 thousand) because these will be offset against taxable profits in the foreseeable future.

**The tax loss carryforwards originated:**

in the Czech Republic (can be carried forward for 5 years, tax rate 19%)	144
in Poland (can be carried forward for 5 years, tax rate 19%, 15% for SMEs)	4,755
in Hungary (can be carried forward indefinitely, tax rate 10%)	1,935
in Luxembourg (can be carried forward indefinitely, tax rate 30%)	415
in Russia (can be carried forward indefinitely starting in 2017, tax rate 20%)	68,104
in Austria (can be carried forward indefinitely, tax rate 25%)	48,970
	<b>124,323</b>

Recognised loss carryforwards in the amount of EUR 49 thousand will expire in the coming financial year. If these cannot be offset against taxable income in the coming financial year, the associated tax expenses will amount to EUR 9 thousand in the coming financial year.

No deferred tax claims were recognised for tax loss carryforwards in the amount of EUR 80,749 thousand (2016: EUR 90,021 thousand) because they may not be used against the taxable profits of other companies in the Group and arose in subsidiaries that have been generating losses for some time already.

If the Group had capitalised all deferred tax claims on loss carryforwards that were not taken into account in the previous years, the profit for the period would have been EUR 1,973 thousand lower (2016: EUR 8,144 thousand lower). The equity would have been EUR 18,628 thousand higher (2016: EUR 20,601 thousand).

No deferred taxes were recognised for deferred tax assets according to IAS 12.44 (outside basis differences) in the amount of EUR 68,198 thousand (2016: EUR 77,279 thousand) because the temporary differences are not expected to reverse in the foreseeable future.

No deferred taxes were recognised for deferred tax liabilities according to IAS 12.39 (outside basis differences) in the amount of EUR 25,167 thousand (2016: EUR 16,232 thousand) because the the temporary differences are not expected to reverse in the foreseeable future.

In December 2017, the 55 per cent subsidiary ZAO Avielen A.G. was informed about the commencement of a tax audit. At the time of the preparation of the consolidated financial statements, there were no indications that the authority conducting the audit would assess the circumstances pertaining to income tax differently than the company. As is the case for all tax audits, however, it is impossible to rule out the risk that the audit will result in a different tax assessment and thus to reductions in the tax loss carryforwards.



**[07] Notes to the consolidated statements of financial position****7.1. Property, plant, and equipment****7.1.1. Changes in and composition of property, plant, and equipment**

	Hotels	Reserve properties	Other property, plant, and equipment	Total
<b>Changes in 2016:</b>				
Carrying amounts at 1 January	188,831	5,763	1,137	195,731
Additions	3,840	405	76	4,322
Reclassification according to IFRS 5	(170,176)	–	–	(170,176)
Scheduled depreciation and amortisation	(6,333)	–	(67)	(6,401)
Impairment charges	(418)	(73)	–	(491)
Impairment reversals	3,638	–	–	3,638
Exchange adjustments	4,826	(94)	(38)	4,693
<b>Carrying amounts at 31 December</b>	<b>24,209</b>	<b>6,000</b>	<b>1,108</b>	<b>31,316</b>
<b>Composition at 31/12/2016:</b>				
Acquisition or production cost	52,945	11,186	1,798	65,929
Cumulated write-downs	(28,736)	(5,186)	(691)	(34,613)
	<b>24,209</b>	<b>6,000</b>	<b>1,108</b>	<b>31,316</b>
<i>thereof pledged as senior collateral for interest-bearing loans (see section 7.10.4.)</i>				30,209
<b>Changes in 2017:</b>				
Carrying amounts at 1 January	24,209	6,000	1,108	31,316
Additions	101	1,200	236	1,538
Disposals	(21)	–	–	(21)
Reclassification to held for sale	–	(5,400)	–	(5,400)
Scheduled depreciation and amortisation	(791)	–	(99)	(890)
Impairment reversals	2,759	1,883	–	4,642
Exchange adjustments	(1,861)	174	63	(1,624)
<b>Carrying amounts at 31 December</b>	<b>24,396</b>	<b>3,857</b>	<b>1,308</b>	<b>29,561</b>
<b>Composition at 31/12/2017:</b>				
Acquisition or production cost	48,985	7,002	1,966	57,954
Cumulated write-downs	(24,589)	(3,145)	(658)	(28,393)
	<b>24,396</b>	<b>3,857</b>	<b>1,308</b>	<b>29,561</b>
<i>thereof pledged as senior collateral for interest-bearing loans (see section 7.10.4.)</i>				28,341

The hotels are recognised at the amortised cost of acquisition or production in accordance with the IFRS provisions. The reserve properties in the property, plant, and equipment are intended for later hotel development projects.

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

	2017	2016
Buildings (including finance leasing)	60 years	60 years
Hotel technical facilities	15 years	15 years
Hotel fixtures	7 years	7 years
Furniture and office equipment	7 years	7 years
Plant	20 years	20 years

The costs of acquisition and production of the hotels is broken down into building fabric, building technical systems, and fixtures and written down over respective useful lives pursuant to IAS 16.43 (component approach).

Further information on the impairments and impairment reversals on property, plant, and equipment is provided in section 6.6.

**7.1.2. Material inputs and sensitivity information**

The amortised costs of the hotels and reserve properties are assessed on the basis of external appraisals to determine any

impairment or the need for impairment reversal. The inputs used for this and the possible effects of changes in the most important inputs on earnings before taxes are shown below.

**Hotels:**

Material inputs	2017		2016	
	Range	Weighted average	Range	Weighted average
Exit yield	11.50%	11.50%	11.75%	11.75%
Discount rate	13.50%	13.50%	13.75%	13.75%
Expected cash flows (year one) in EUR '000/room	8.7	8.7	6.3	6.3

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2017	2016
Exit yield	+ 50 basis points	-695	-714
Exit yield	- 50 basis points	828	847
Discount rate	+ 50 basis points	-1,378	-1,437
Discount rate	- 50 basis points	1,496	1,560
Expected cash flows (year one)	+ 10%	1,233	1,183
Expected cash flows (year one)	- 10%	-1,174	-1,242

**Reserve properties (property, plant, and equipment):**

Material inputs	2017		2016	
	Range	Weighted average	Range	Weighted average
Market price/m <sup>2</sup> area in EUR	218	218	232–1117	422

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2017	2016
Market price/m <sup>2</sup> area	+ 10%	386	603
Market price/m <sup>2</sup> area	- 10%	-386	-603

## 7.2. Investment properties

The Group measures investment properties at their fair value.

### 7.2.1. Changes in and composition of investment properties

	Developed properties	Development properties	Reserve properties	Total
<b>Changes in 2016:</b>				
Carrying amounts at 1 January	57,244	12,745	14,606	84,595
Reclassification due to start of construction	–	3,762	(3,762)	–
Additions/investments	25	7,850	76	7,950
Disposals	(812)	–	–	(812)
Net measurement result	2,935	6,795	(2,177)	7,553
Exchange adjustment	9,184	876	2,394	12,453
<b>Carrying amounts at 31 December</b>	<b>68,576</b>	<b>32,027</b>	<b>11,137</b>	<b>111,739</b>
<b>Changes in 2017:</b>				
Carrying amounts at 1 January	68,576	32,027	11,137	111,739
Reclassification due to completion	23,021	(23,021)	–	–
Additions/investments	9,887	21,709	16	31,611
Capitalised borrowing costs	–	55	–	55
Net measurement result	5,994	13,528	(3,337)	16,185
Exchange adjustment	(3,865)	(280)	(683)	(4,827)
<b>Carrying amounts at 31 December</b>	<b>103,613</b>	<b>44,018</b>	<b>7,133</b>	<b>154,763</b>

The additions to the investment properties primarily pertain to an office property in Krakow that was acquired at the end of 2017. The reclassification due to completion is related to the multi-use building in St. Petersburg. The additions include no subsequent purchase costs.

**7.2.2. Result from investment properties**

	2017	2016
Rental income and charged expenses	12,933	8,248
Direct operating expenses	(2,041)	(1,483)
<b>Net rental income</b>	<b>10,891</b>	<b>6,765</b>

During the reporting period, material operating expenses that can be directly attributed to the investment properties and for which no rental revenue was generated amounted to EUR 502 thousand. No corresponding material operating expenses were incurred in the prior year.

**Developed properties:**

Developed properties are valued based on the income they generate using the DCF method.

Material inputs	2017		2016	
	Range	Weighted average	Range	Weighted average
Exit yield	6.8–15.6%	11.1%	7–10.5%	8.7%
Discount yield	6.8–17.1%	12.9%	7–17.7%	12.3%
Estimated rent value (ERV)/m <sup>2</sup> /month in EUR	7.8–29.6	18.2	6.8–26.9	18.3

A change in the indicated inputs would result in the following changes in the fair values:

Sensitivity analysis 2016					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	-3%	4%	9%	15%	20%
-50 bp	-7%	-1%	5%	11%	17%
0 bp	-11%	-6%	0%	6%	11%
50 bp	-14%	-9%	-3%	2%	8%
100 bp	-17%	-12%	-6%	-1%	4%

Sensitivity analysis 2017					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	-3%	1%	6%	10%	15%
-50 bp	-6%	-2%	3%	7%	11%
0 bp	-8%	-4%	0%	4%	8%
50 bp	-11%	-7%	-3%	1%	5%
100 bp	-13%	-9%	-5%	-1%	3%

**7.2.3. Information on fair value, material inputs, and sensitivity**

The carrying amounts of the investment properties correspond to their fair values. The properties are assessed every six months by external property valuers applying level 3 of the fair value hierarchy, i.e. using non-observable inputs (see also the information on discretionary decisions in section 3.4.1.2.).

The valuation method and the measurement parameters (inputs) depend on the respective development stage of the property. In this, the Group differentiates between developed properties, development properties, and reserve properties.

The inputs presented below can influence each other. In particular, rising rents and falling yields (interest rates) increase the market value while falling rents and rising yields have a detrimental effect on the market value.



**Development properties:**

Development properties are valued based on the income they generate using the residual value method.

Material inputs	2017		2016	
	Range	Weighted average	Range	Weighted average
Exit yield	6.1–6.8%	6.50%	6.5–15.4%	9.00%
Estimated rent value (ERV)/m <sup>2</sup> /month in EUR	14.6–15	14.7	13–16	14
Outstanding construction and development costs/m <sup>2</sup> in EUR	1.598–1.916	1.740	768–1.738	1.407
Developer's profit	15–20%	18%	0–20%	14%

A change in the indicated inputs would result in the following changes in the fair values:

Sensitivity analysis 2016					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	28%	50%	73%	96%	119%
-50 bp	-8%	13%	34%	55%	75%
0 bp	-39%	-19%	0%	19%	39%
50 bp	-65%	-47%	-29%	-11%	7%
100 bp	-88%	-71%	-54%	-38%	-21%

Sensitivity analysis 2017					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	-10%	-4%	2%	9%	15%
-50 bp	-11%	-5%	1%	7%	13%
0 bp	-12%	-6%	0%	6%	12%
50 bp	-13%	-7%	-1%	5%	11%
100 bp	-14%	-8%	-2%	4%	10%

Sensitivity analysis 2016					
Change in the developer's profit in percentage points	Change in the outstanding construction and development costs				
	-10%	-5%	0%	+5%	+10%
-10%	50%	38%	26%	14%	2%
-5%	38%	25%	13%	0%	-12%
0%	26%	13%	0%	-13%	-26%
5%	13%	0%	-13%	-26%	-40%
10%	1%	-12%	-26%	-40%	-54%

Sensitivity analysis 2017					
Change in the developer's profit in percentage points	Change in the outstanding construction and development costs				
	-10%	-5%	0%	+5%	+10%
-10%	42%	33%	24%	16%	7%
-5%	31%	21%	12%	3%	-6%
0%	19%	10%	0%	-10%	-19%
5%	8%	-2%	-12%	-22%	-32%
10%	-4%	-14%	-24%	-35%	-45%

**Reserve properties:**

The reserve properties are valued based on their market prices using the comparative method.

Material inputs	2017		2016	
	Range	Weighted average	Range	Weighted average
Market price/m <sup>2</sup> area in EUR	92–268	189	282–307	293

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2017	2016
Market price/m <sup>2</sup> area	+10%	718	1,117
Market price/m <sup>2</sup> area	+5%	359	559
Market price/m <sup>2</sup> area	-5%	-359	-559
Market price/m <sup>2</sup> area	-10%	-718	-1,117

### 7.3. Joint ventures and associates (equity method)

#### 7.3.1. Overview of joint ventures and associates

The consolidated financial statements include the following companies that are recognised using the equity method as at the reporting date:

Company	Domicile/ country	Voting rights and capital share	Capital stock	Currency of capital	Functional currency	Segment
in thousands						
UBX 1 Objekt Berlin Ges.m.b.H.	D-Munich	50%	25	EUR	EUR	DS
ACC Berlin Konferenz Betriebs GmbH	D-Berlin	50%	25	EUR	EUR	DS
UBX Plzen s.r.o. <sup>3</sup>	CZ-Prague	50%	200	CZK	EUR	H
UBX Plzen Real Estate s.r.o. <sup>3</sup>	CZ-Prague	50%	200	CZK	EUR	H
Hotelinvestments (Luxembourg) SARL	LU-Luxembourg	50%	20	EUR	EUR	H
UBX Development (France) SARL	F-Paris	50%	50	EUR	EUR	H
→ UBX II (France) SARL <sup>1</sup>	F-Paris	50%	50	EUR	EUR	H
Hotel Paris II SARL	F-Paris	50%	650	EUR	EUR	H
Warimpex Management Services Sp. z o.o.	PL-Warsaw	50%	9,095	PLN	PLN	DS
→ WX MS Investment Sp. z o.o. <sup>1</sup>	PL-Warsaw	25%	60	PLN	PLN	DS
Sienna Hotel Sp. z o.o. <sup>2</sup>	PL-Warsaw	50%	81,930	PLN	EUR	H
Lanzarota Investments Sp. z o.o.	PL-Warsaw	50%	5	PLN	EUR	H
UBX Katowice Sp. z o.o. <sup>3</sup>	PL-Warsaw	50%	50	PLN	EUR	H
Hotel Management Angelo Katowice Sp. z o.o. <sup>3,4</sup>	PL-Warsaw					
GF Ramba Sp. z o.o. <sup>1,5</sup>	PL-Warsaw	50%	139	PLN	EUR	IP
AO Micos <sup>1</sup>	RU-Moscow	44%	43	RUB	RUB	IP

#### Explanations:

- <sup>1</sup> These companies are joint ventures or associates in which the parent company is indirectly invested. The shareholding refers to the indirect interest.
- <sup>2</sup> The company Lanzarota Investments Sp. z o.o. Sienna Hotel SKA was renamed.
- <sup>3</sup> The company was sold during the financial year.
- <sup>4</sup> The company was acquired during the financial year.
- <sup>5</sup> The company was sold in the prior year.

### 7.3.2. Information about material joint ventures and associates

The following information corresponds to the amounts in the IFRS annual financial statements of the joint ventures and associates.

	UBX II (France) SARL and UBX Development (France) SARL		Hotel Paris II SARL	
	31/12/17	31/12/16	31/12/17	31/12/16
<b>Summary balance sheet:</b>				
Non-current assets	41,466	41,775	19,515	20,036
Current assets	4,262	3,813	4,162	3,262
<b>Total assets</b>	<b>45,728</b>	<b>45,588</b>	<b>23,677</b>	<b>23,298</b>
<i>thereof cash and cash equivalents</i>	2,420	1,329	1,893	829
Equity	2,301	1,470	251	(367)
<i>thereof capital transactions</i>	–	–	348	–
Non-current liabilities	38,902	39,210	19,788	19,809
Current liabilities	4,524	4,908	3,638	3,856
<b>Total equity and liabilities</b>	<b>45,728</b>	<b>45,588</b>	<b>23,677</b>	<b>23,298</b>
<i>thereof non-current financial liabilities pursuant to IFRS 12</i>	31,296	32,118	13,253	14,197
<i>thereof current financial liabilities pursuant to IFRS 12</i>	1,671	2,055	895	845
	<b>2017</b>	2016	<b>2017</b>	2016
<b>Summary profit or loss statement:</b>				
Income	19,563	16,540	16,219	12,857
Expenses including remeasurement result	(18,731)	(17,907)	(15,950)	(14,398)
Profit or loss for the period	832	(1,367)	269	(1,541)
Other income/expenses	–	–	–	–
<b>Net profit or loss for the period</b>	<b>832</b>	<b>(1,367)</b>	<b>269</b>	<b>(1,541)</b>
<b>Included in the profit or loss for the period:</b>				
Scheduled depreciation and amortisation	(2,641)	(2,145)	(935)	(1,096)
Interest received	–	–	–	–
Interest paid	(534)	(546)	(316)	(308)
Income tax expenses (or income)	4	3	–	–
	<b>31/12/17</b>	31/12/16	<b>31/12/17</b>	31/12/16
<b>Reconciliation to carrying amount of the interest:</b>				
Net assets	2,301	1,470	251	(367)
Group interest	50%	50%	50%	50%
Proportionate net assets	1,151	735	125	(183)
Shareholder loan as net investment	3,819	3,560	3,268	2,806
<b>Net investment (carrying amount)</b>	<b>4,970</b>	<b>4,295</b>	<b>3,393</b>	<b>2,623</b>



	Sienna Hotel Sp. z o.o. and Lanzarota Sp. z o.o.		AO Micos (from November 2016)	
	31/12/17	31/12/16	31/12/17	31/12/16
	13,919	13,568	52,260	48,921
	6,087	3,373	5,235	6,018
	<b>20,007</b>	<b>16,940</b>	<b>57,495</b>	<b>54,939</b>
	688	2,662	435	1,837
	15,163	14,139	1,029	(5,689)
				(4,194)
	3	127	55,917	60,396
	4,840	2,675	549	232
	<b>20,007</b>	<b>16,940</b>	<b>57,495</b>	<b>54,939</b>
	–	–	34,825	35,916
	–	–	–	–
	<b>2017</b>	2016	<b>2017</b>	2016
	24,499	23,477	9,606	1,517
	(23,475)	(23,171)	(2,881)	(2,554)
	1,024	306	6,726	(1,037)
	–	–	(8)	(458)
	<b>1,024</b>	<b>306</b>	<b>6,718</b>	<b>(1,495)</b>
	(1,109)	(1,009)	(27)	–
	25	25	147	3
	10	(211)	(4,139)	(719)
	(219)	(397)	(166)	(182)
	<b>31/12/17</b>	31/12/16	<b>31/12/17</b>	31/12/16
	15,163	14,139	1,029	(5,689)
	50%	50%	44,02%	44,02%
	7,581	7,069	453	(2,504)
	–	–	–	–
	<b>7,581</b>	<b>7,069</b>	<b>453</b>	–

The following information pertains to the material joint ventures and associates presented above:

**AO Micos:**

The Group has indirectly held a 44.02 per cent stake in AO Micos through its 55 per cent subsidiary ZAO Avielen A.G. since October 2016; Avielen previously held a 19 per cent stake. The shares were recognised as an associate according to the equity method pursuant to IAS 28 until July 2017. At the beginning of August 2017, there was a change in the articles of association which stipulates that all material decisions must be made unanimously. Therefore, from that point forward the company must be classified as a joint venture, which is also recognised according to the equity method. Micos is the owner of the Jupiter 1 and 2 office towers in St. Petersburg and lets these properties out.

**UBX II (France) SARL and UBX Development (France) SARL:**

The company UBX II (France) SARL leases a hotel at Eurodisney/Paris (F) under a finance lease and operates the establishment. UBX Development (France) SARL is the 100% parent and engages in no material business operations. As both companies are viewed together in the Group, they are depicted together here.

**Hotel Paris II SARL:**

The company leases a hotel at Eurodisney/Paris under a finance lease and operates the establishment.

**Sienna Hotel Sp. z o.o. and**

**Lanzarota Investments Sp. z o.o.:**

Sienna Hotel Sp. z o.o. (formerly Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A.) leases the InterContinental hotel under an operating lease and runs the establishment. Lanzarota Investments Sp. z o.o. held a small stake in Lanzarota Investments Sp. z o.o. Sienna Hotel S.K.A. and engages in no material business operations. As these companies are viewed together in the Group, they are depicted together here.

**GF Ramba Sp. z o.o.:**

The shares in this company were sold in 2016 (see section 5.5.).

**7.3.3. Composition and development of joint ventures and associates**

	Capital shares	Loans	Total
<b>Composition at 31/12/2016:</b>			
Net investments	12,210	6,366	18,576
Cumulated earnings allocations (profit or loss for the period)	(4,638)	550	(4,088)
Cumulated allocated results from the other comprehensive income	(9)	–	(9)
	<b>7,563</b>	<b>6,916</b>	<b>14,479</b>
<b>Composition at 31/12/2017:</b>			
Net investments	11,727	7,087	18,813
Cumulated earnings allocations (profit or loss for the period)	(2,881)	1,266	(1,616)
Cumulated allocated results from the other comprehensive income	26	–	26
	<b>8,872</b>	<b>8,352</b>	<b>17,224</b>

The net investments include shares in the joint ventures and loans extended to joint ventures and associates that are not planned or likely to be repaid in the foreseeable future. Proportionate gains and losses are recognised as allocated results when they are covered by the net investment. Any impairment according to IAS 28.40 is also taken into account.

	2017	2016
<b>Development:</b>		
Carrying amounts at 1 January	14,479	24,083
Additions	174	10
IFRS 5 reclassification	–	(5,399)
Disposals	–	(2,265)
Extension (+) / repayment (-) of loans	704	(785)
Capitalised interest income from loans granted	17	176
Earnings allocation from profit/loss for the period	1,887	(1,332)
Earnings allocation from other comprehensive income	(37)	(9)
<b>Carrying amounts at 31 December</b>	<b>17,224</b>	<b>14,479</b>

#### 7.3.4. Other information about joint ventures and associates

The following table contains summarised financial information about the net investments in joint ventures and associates. The amounts are adjusted for the Group's share.

	31/12/17	31/12/16
<b>Share of the assets and liabilities:</b>		
Non-current assets	60,677	74,429
Current assets	9,930	9,516
<b>Assets</b>	<b>70,607</b>	<b>83,945</b>
Proportionate equity	10,137	4,040
Proportionate Group shareholder's loans	7,475	12,801
Proportionate joint venture partner shareholder's loans	8,674	11,391
Non-current liabilities	37,238	47,622
Current liabilities	7,082	8,090
<b>Equity and liabilities</b>	<b>70,607</b>	<b>83,945</b>

	31/12/17	31/12/16
<b>Reconciliation to carrying amount:</b>		
Share of net assets	10,137	4,040
Group shareholder loans	16,487	24,065
Reclassification to held for sale	–	(5,397)
Loans to joint ventures/associates	(9,400)	(8,230)
<b>Net investment in joint ventures (carrying amount)</b>	<b>17,224</b>	<b>14,479</b>

	31/12/17	31/12/16
<b>Aggregated disclosures about joint ventures that are individually immaterial:</b>		
Net investment in joint ventures (carrying amount)	561	291
Group share of the profit or loss for the period (going operations)	346	92
Group share of other comprehensive income	26	(9)
<b>Group share of net result for the period</b>	<b>372</b>	<b>83</b>

#### Nature and extent of material restrictions in connection with joint ventures and associates:

The material joint ventures and associates specified above are subject to contractual restrictions on the use of assets and the payment of interest and dividends to shareholders and on the repayment of shareholder loans based on existing credit agreements in connection with property financing.

#### Risks associated with shares in joint ventures and associates:

The guarantees and bonds entered into in connection with joint ventures and associates are explained in section 9.1.3.

**7.4. Other financial assets**

	31/12/17	31/12/16
<b>Composition non-current:</b>		
Loans to joint ventures/associates	9,400	8,230
Deposits with banks pledged as collateral	2,647	2,840
Advance payments made	–	1,701
Other non-current financial assets	646	689
Pension reimbursement insurance rights	556	464
Loans and other non-current receivables	396	195
	<b>13,646</b>	<b>14,118</b>

The loans to associates are loans issued to Micos. An impairment reversal was recognised in the financial year (see section 6.7.)

The remaining financial assets listed above are neither overdue nor impaired.

The restricted accounts pledged as collateral for guarantees amount to EUR 2,647 thousand. The terms correspond to the standard terms for each contract partner. The restricted accounts pertain to the InterContinental hotel in Warsaw (see section 9.1.3.) as well as the purchase of an office property in Krakow at the end of 2017. They also include a security account in connection with project loans for the Erzsébet office towers in Budapest and the development of the office property in Łódź.

Pension reimbursement insurance claims relate to pension reimbursement insurance taken out to cover pension obligations.



**7.5. Deferred taxes (tax assets and liabilities)**

The deferred taxes break down and changed as follows:

	Available deferred tax claims		Thereof applied deferred tax claims	
	31/12/17	31/12/16	31/12/17	31/12/16
<b>Composition:</b>				
Differences in property, plant, and equipment and investment properties	1,176	1,412	–	4
Temporary differences in connection with shares	10,014	4	–	2
Measurement differences in the current assets	1,494	3,048	1,494	3,028
Differences in the tax treatment of pensions and other long-term employee benefits	372	354	227	354
Measurement differences in the liabilities and provisions	349	39	11	25
Capitalisation of tax loss carryforwards	27,093	31,778	8,465	11,177
Impairment of deferred tax assets	–	–	(1,030)	(1,112)
	<b>40,498</b>	<b>36,634</b>	<b>9,167</b>	<b>13,478</b>
Offsetting with the same tax authority			(7,245)	(11,547)
			<b>1,922</b>	<b>1,931</b>

	Deferred tax liabilities	
	31/12/17	31/12/16
<b>Composition:</b>		
Differences in property, plant, and equipment and investment properties	(12,632)	(12,521)
Measurement differences in the current assets	200	(1,130)
Measurement differences in the liabilities and provisions	(386)	(1,191)
	<b>(12,817)</b>	<b>(14,842)</b>
Offsetting with the same tax authority	7,245	11,547
	<b>(5,572)</b>	<b>(3,295)</b>

	Deferred tax claims		Deferred tax liabilities	
	2017	2016	2017	2016
<b>Development:</b>				
As at 1 January	1,931	102	(3,295)	(10,064)
Changes in the scope of consolidation	–	–	–	–
<i>Change recognised in other comprehensive income, thereof:</i>	(672)	33	582	8,559
Foreign currency translation	(694)	(202)	582	240
Other comprehensive income from joint ventures	–	2	–	–
Revaluation of available-for-sale financial assets	22	97	–	(113)
Remeasurement pursuant to IAS 19	–	(5)	–	–
IFRS 5 reclassification	–	–	–	8,432
Cash flow hedges	–	140	–	–
<i>Change recognised in profit or loss for the period</i>	664	1,796	(2,859)	(1,790)
<b>As at 31 December</b>	<b>1,922</b>	<b>1,931</b>	<b>(5,572)</b>	<b>(3,295)</b>

Unrecognised deferred tax assets in connection with shares stem entirely from Austria and do not expire.

**7.6. Trade and other receivables (current)**

	31/12/17	31/12/16
<b>Composition:</b>		
Claims related to property and share sales	5,647	3,000
Receivables from tax authorities	5,973	7
Trade receivables	570	1,068
Advance payments made	421	175
Other current receivables and assets	390	235
Deferred expenses	216	277
Receivables due from joint ventures	214	422
Receivables due from related parties	32	20
	<b>13,463</b>	<b>5,203</b>

The claim related to property and share sales pertains to the sale of hotel holdings (see section 5.1.) and comprises the claim from the settlement and retentions from the purchase price. The final portion of the retentions from the purchase price will be released from the escrow account at the end of November 2018 pursuant to the contract. The purchase price claim in the amount of EUR 3,000 thousand related to UBX Praha 1 s.r.o. that was held as of 31 December 2016 was paid as agreed in October 2017.

The receivables from tax authorities largely pertain to not yet reimbursed input taxes from the purchase of an office building in Krakow, from the intragroup transfer of the Bykovskaya multi-use building from the 55% subsidiary ZAO Avielen A.G. to the 100% subsidiary ZAO Avielen Parking, and from ongoing developments.

The maturity structure of trade receivables is as follows:

	31/12/17	31/12/16
<b>Composition:</b>		
Neither overdue nor bad debt provision made	527	619
30 days overdue, no bad debt provision made	21	27
60 days overdue, no bad debt provision made	12	11
90 days overdue, no bad debt provision made	9	84
120 days overdue, no bad debt provision made	–	83
>120 days overdue, no bad debt provision made	2	244
Impaired receivables	255	272
	<b>825</b>	<b>1,340</b>

The remaining current financial assets in this item are neither overdue nor impaired.

Trade receivables are non-interest-bearing and generally have terms of 10 to 90 days.

**7.7. Financial assets, available for sale**

	31/12/17	31/12/16
<b>Development:</b>		
Carrying amount on 1 January	6,816	10,612
Disposals due to sales	(583)	–
Reclassification to associates (equity method)	–	(3,989)
Advance payments received	–	(300)
Remeasurement	(87)	493
<b>Carrying amount on 31 December</b>	<b>6,146</b>	<b>6,816</b>
<b>Composition:</b>		
Shares in Palais Hansen Immobilienentwicklung GmbH, Vienna	6,146	6,233
Shares in UBX 2 Objekt Berlin GmbH, Vienna	–	583
	<b>6,146</b>	<b>6,816</b>

The shares in Palais Hansen Immobilienentwicklung GmbH represent a 9.88 per cent interest. The company owns the Kempinski hotel Palais Hansen. As there is no active market for this shareholding, its measurement is based primarily on a fair value calculated for the property using the discounted cash flow method, and was determined on the basis of an appraisal.

Further information about the measurement, the material inputs, and the sensitivity of the available-for-sale financial assets can be found in sections 8.1.2. to 8.1.4.

**7.8. Cash and cash equivalents**

	31/12/17	31/12/16
<b>Composition:</b>		
Cash on hand	20	15
Bank balances	22,829	2,753
	<b>22,849</b>	<b>2,769</b>

This item consists of cash and cash equivalents.

The fair value of cash and cash equivalents corresponds to the carrying amount.

## 7.9. Equity

### 7.9.1. Share capital, earnings per share

The Company's share capital is divided into 54,000,000 non-par-value shares and is fully paid up. At the reporting date, the Company had purchased 66,500 treasury shares at an average

price of EUR 4.53 per share. The weighted average number of shares in free float between 1 January and 31 December 2017 was 53,933,500.

	2017	2016
	Shares	Shares
<b>Breakdown of shares and potential shares:</b>		
Shares 1 January to 31 December	54,000,000	54,000,000
Less treasury shares	-66,500	-66,500
<b>Weighted average number of shares</b>	<b>53,933,500</b>	<b>53,933,500</b>

#### Dilution effect of potential shares:

Approved shares convertible bond 04/2013–11/2018 weighted	3,282,828	3,282,828
Approved shares convertible bond 06/2014–06/2017 weighted	1,092,237	2,198,630
Weighted approved shares from convertible bonds	4,375,065	5,481,458
<b>Weighted average number of shares adjusted for the dilution effect</b>	<b>58,308,565</b>	<b>59,414,958</b>

	2017	2016
	IN EUR '000	IN EUR '000
<b>Earnings per share (based on the weighted average number of shares):</b>		
Profit or loss for the period allocable to the shareholders of the Group:		
Undiluted	40,542	17,423
Adjustment related to potential conversion of convertible bonds	455	549
Diluted	40,997	17,972
<b>Earnings per share undiluted = diluted (in EUR)</b>	<b>0.75</b>	<b>0.32</b>

A total of 3,282,828 (2016: 5,449,495) potential approved shares from convertible bonds were outstanding on the reporting date.

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

When calculating the diluted earnings per share, the result attributable to the holders of shares in the parent company, adjusted for changes related to a conversion of the potential shares, is divided by the weighted average number of shares in circulation during the reporting period plus the weighted average number of shares that would result from the conversion of the convertible bond. This diluted result is only applied when the conversion would reduce the earnings per share or would increase the loss for the period. Otherwise, the diluted result is the same as the undiluted result.

The Company has no knowledge of special rights or limitations that are associated with the shares.

According to the Austrian Stock Corporation Act, the separate financial statements as of 31 December 2017 of the parent company Warimpex Finanz- und Beteiligungs AG, which have been prepared under the Austrian Commercial Code, provide the basis for the distribution of a dividend.

These annual financial statements report a profit for the financial year of EUR 19,200 thousand. Following the allocation of the statutory retained earnings in the amount of EUR 872 thousand and the application of loss carryforwards, the net profit amounted to EUR 16,565 thousand as at 31 December 2017. The Management Board will propose to the Annual General Meeting that an amount of EUR 3,240 thousand be distributed in the form of a dividend and that the remaining amount of EUR 13,325 thousand be carried forward to the next accounting period.

### 7.9.2. Capital management

The equity reported in the consolidated financial statements is used for the purposes of capital management at the Group level. The primary objective of the Group's capital management policy is to ensure that the Group preserves a favourable equity ratio to support its business activities and maximise shareholder value.

The Group is not subject to capital requirements, either under its articles of association or under external regulations. Legal requirements only apply to the share capital and legal reserves, and are complied with in full.

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

The consolidated equity ratio was 31.5 per cent on the reporting date (2016: 12.0 per cent), and was within the target range.

	31/12/17	31/12/16
Determining the consolidated equity ratio:		
Equity	83,481	43,058
Borrowings	181,773	314,828
Total equity and liabilities	265,254	357,886
<b>Equity ratio in%</b>	<b>31.5%</b>	<b>12.0%</b>

### 7.9.3 Reserves

The equity includes the following Group reserves:

#### Capital reserve:

The capital reserve consists of the portions of equity originating from outside the Group and that are not part of the capital stock of the parent company.

#### Revaluation reserve:

The revaluation reserve consisted of the parts of the undisclosed reserves that are attributable to old shares and that were determined by the revaluation of the net assets at the time of the transaction as part of the successive acquisition of a subsidiary according to IFRS 3. These were eliminated as a result of the sale of hotel companies on 31 May 2017 (see section 5.1.). The revaluation reserve also includes remeasurement results from assets that are subsequently measured as investment properties recognised at fair value.

#### Reserve for currency translation:

Cumulated exchange rate differences resulting from the translation of annual financial statements of subsidiaries operating with functional currencies other than the euro are reported in the reserve for currency translation.

#### Available-for-sale reserve:

The available-for-sale reserve contains not yet realised changes in the value of available-for-sale financial assets.

#### Cash flow hedge reserve:

Cumulated, not yet recognised changes in the fair value of derivative financial instruments that are designated as cash flow hedges are recognised in the cash flow hedge reserve. The cash flow hedge that was held as at 31 December 2016 was eliminated due to the sale of hotel companies on 31 May 2017 (see section 5.1.). The associated reserve was reclassified to the income statement.

#### IAS 19 reserve:

The IAS 19 reserve contains cumulated changes in the remeasurement of obligations to provide benefits after or related to the termination of the employment relationship according to IAS 19 that are reported in other comprehensive income. This reserve will not be reclassified into profit or loss in future periods.



The changes in the respective reserves and the analysis of the other comprehensive income per component of equity are as follows:

	Revaluation reserve	Reserve for currency translation	Available-for-sale reserve	Cash flow hedge reserve	IAS 19 reserve	Total
<b>Changes in 2016:</b>						
As at 1 January	6,674	(1,765)	823	(638)	(823)	4,270
Other income/expenses	–	(592)	208	(735)	18	(1,101)
Other comprehensive income from joint ventures	–	(9)	–	–	–	(9)
(Deferred) taxes	–	40	(64)	140	(5)	111
Total other comprehensive income	–	(561)	144	(596)	14	(999)
<b>As at 31 December</b>	<b>6,674</b>	<b>(2,326)</b>	<b>967</b>	<b>(1,234)</b>	<b>(809)</b>	<b>3,271</b>
<b>Changes in 2017:</b>						
As at 1 January	6,674	(2,326)	967	(1,234)	(809)	3,271
Changes in the scope of consolidation	(5,434)	–	–	–	–	(5,434)
Other income/expenses	–	(296)	(748)	1,234	26	215
Other comprehensive income from joint ventures	–	26	–	–	–	26
(Deferred) taxes	–	(67)	22	–	–	(45)
Total other comprehensive income	–	(337)	(726)	1,234	26	196
<b>As at 31 December</b>	<b>1,239</b>	<b>(2,663)</b>	<b>241</b>	<b>–</b>	<b>(784)</b>	<b>(1,967)</b>

The other comprehensive income allocable to non-controlling interests in the amount of EUR -270 thousand (2016: EUR -533 thousand) pertains to currency translation to which deferred taxes of EUR -45 thousand (2016: EUR 48 thousand) apply.

#### 7.10. Financial liabilities

Financial liabilities contain interest-bearing liabilities – primarily convertible bonds, bonds, and loans from financial institutions or companies – that serve to cover the Group's financing needs. These do not correspond to the financial liabilities for the purposes of IAS 32, which are shown separately in section 8.1.1.

#### 7.10.1. Convertible bonds

	31/12/17	31/12/16
<b>Composition:</b>		
Convertible bond 06/2014–06/2017	–	3,820
Convertible bond 11/2015–11/2018	4,543	4,081
	<b>4,543</b>	<b>7,902</b>
<i>thereof non-current</i>	–	3,971
<i>thereof current</i>	4,543	3,931

Please refer to the information in section 3.6.4. and the information about the embedded derivative financial instruments in section 7.11. for details about the recognition of the convertible bonds. The potential shares from the convertible bonds are shown in section 7.9.1.

The convertible bond 06/2014–06/2017 was redeemed in June 2017 as agreed.

Proportionate transaction costs are taken into account using the effective interest rate method when recognising the convertible bonds. Therefore, the current portion also includes deferred interest and financing costs.

**7.10.2. Other bonds**

	31/12/17	31/12/16
<i>Composition:</i>		
Bond 03/2015–09/2019	–	6,251
Bond 10/2013–10/2017	–	344
Bond 02/2014–02/2018	–	696
Bond 03/2015–03/2018	–	5,721
Bond 10/2015–10/2018	–	2,500
Bond 12/2015–12/2018	1,603	25,832
Bond 01/2016–01/2019	–	2,196
Bond 05/2017–05/2019	5,357	–
	<b>6,960</b>	<b>43,540</b>
<i>thereof non-current</i>	5,357	42,988
<i>thereof current</i>	1,603	552

A one-year zero-coupon bond with a nominal value of EUR 5,500 thousand and an extension option for a further year was issued in May 2017. The extension option was exercised in the spring of 2018.

A significant portion of the bonds was redeemed early during the reporting period.

Proportionate transaction costs are taken into account using the effective interest rate method when recognising the bonds.

**7.10.3. Other financial liabilities (loans)**

	31/12/17	31/12/16
<i>Breakdown of non-current loans:</i>		
Project loans	68,015	51,888
Loans from non-controlling interests	52,785	50,767
Other loans	760	838
Overdraft and borrowing facilities	–	1,842
	<b>121,560</b>	<b>105,335</b>
<i>Breakdown of current loans:</i>		
Project loans	4,883	5,897
Other loans	1,401	1,032
Overdraft and borrowing facilities	501	6,327
	<b>6,784</b>	<b>13,256</b>
<b>Total loans</b>	<b>128,345</b>	<b>118,591</b>

The rise in project loans is due to new financing agreements related to the Bykovskaya multi-use building and the development of the office property in Łódź.

Please see section 8.2.4. for information on the maturity of the project loans.

**7.10.4. Summary of liabilities arising from financing activities**

The change in and composition of liabilities arising from financing activities (interest-bearing financial liabilities), consisting of convertible bonds (item 7.10.1.), other bonds

(item 7.10.2.), and other financial liabilities (item 7.10.3.) as well as financial liabilities in connection with disposal groups classified as available for sale that are reported according to IFRS 5 (item 5.1.), can be broken down as follows:

	Financial liabilities (IFRS 5)	Project loans	Loans and borrowing	Bonds, convertible bonds	Loans from minorities and others	Total
<b>Changes in 2016:</b>						
As at 1 January	–	161,893	15,830	59,396	49,564	286,683
Reclassification according to IFRS 5	91,977	(91,977)	–	–	–	–
Borrowing/accumulated interest	–	11,575	2,497	45	–	14,117
Repayment	–	(12,674)	(10,159)	(7,519)	(86)	(30,438)
Changes in the scope of consolidation	–	(11,120)	–	–	–	(11,120)
Exchange rate and other changes	–	89	–	(480)	3,159	2,767
<b>As at 31 December</b>	<b>91,977</b>	<b>57,785</b>	<b>8,169</b>	<b>51,442</b>	<b>52,637</b>	<b>262,009</b>
<i>thereof current (due &lt; 1 year)</i>	<i>91,977</i>	<i>5,897</i>	<i>6,327</i>	<i>4,483</i>	<i>1,032</i>	<i>109,715</i>
<i>thereof non-current (due &gt; 1 year)</i>	<i>–</i>	<i>51,888</i>	<i>1,842</i>	<i>46,959</i>	<i>51,605</i>	<i>152,293</i>
<b>Changes in 2017:</b>						
As at 1 January	91,977	57,785	8,169	51,442	52,637	262,009
Borrowing (cash flow)	–	20,872	4	5,239	701	26,815
Repayment (cash flow)	(740)	(5,636)	(7,671)	(46,670)	(628)	(61,345)
Changes in the scope of consolidation	(91,546)	–	–	–	–	(91,546)
Changes in foreign exchange rates	–	60	–	961	(71)	949
Other changes	309	(182)	–	532	2,306	2,966
<b>As at 31 December</b>	<b>–</b>	<b>72,898</b>	<b>501</b>	<b>11,503</b>	<b>54,945</b>	<b>139,847</b>
<i>thereof current (due &lt; 1 year)</i>	<i>–</i>	<i>4,883</i>	<i>501</i>	<i>6,146</i>	<i>1,401</i>	<i>12,930</i>
<i>thereof non-current (due &gt; 1 year)</i>	<i>–</i>	<i>68,015</i>	<i>–</i>	<i>5,357</i>	<i>53,545</i>	<i>126,917</i>

Financial liabilities in a total amount of EUR 73,245 thousand (2016: EUR 68,604 thousand) are secured by mortgages on land and buildings. Of this, EUR 17,272 thousand (2016: EUR 24,085 thousand) pertain to property, plant, and equipment and EUR 55,973 thousand (2016: EUR 44,520 thousand) to investment properties.

**7.10.5. Interest rate terms on financial liabilities**

The financial liabilities in connection with disposal groups classified as available for sale that are reported according to IFRS 5 are not taken into account in the presentation of the interest rate terms for the prior year.

	31/12/17	31/12/16
<b>Interest on financial liabilities:</b>		
thereof fixed rate	114,433	118,263
thereof variable rate	25,414	51,770
	<b>139,847</b>	<b>170,032</b>
<b>Per cent share:</b>		
thereof fixed rate	82%	70%
thereof variable rate	18%	30%

		2017	2016
<b>Range of the variable interest for:</b>	<b>Base rate</b>	<b>Premium</b>	<b>Premium</b>
• Bonds	6M WIBOR	5–6.4%	5–6.4%
	6M EURIBOR	3.75%	3.75%
• Overdraft/borrowing facilities	3M EURIBOR	2.1–3.75%	2.1–3.75%
• Project loans	3M EURIBOR	2.7–2.95%	1.85–2.7%
	3M WIBOR	3.50%	3.50%

The ranges for the financial liabilities with fixed interest rates held at the reporting date are between 0.8% and 10.5% (2016: 2.5% and 13.5%).

Please see section 8.1.1. for information about the market values of interest-bearing financial liabilities.

**7.11. Derivative financial instruments**

	31/12/17	31/12/16
<b>Composition non-current:</b>		
Conversion rights related to convertible bonds	929	401
	<b>929</b>	<b>401</b>

The conversion rights are embedded derivatives related to the convertible bonds issued in PLN. The remaining term is roughly one year. Further information about the fair value is provided in section 8.1.3.

Because of the terms of the underlying transaction (convertible bonds), which entitle the holder to convert the bond into equity capital or to demand the repayment of the nominal value on the maturity date, no future cash outflows are associated with the embedded derivatives reported in accordance with IAS 32 and IAS 39.

**7.12. Other non-current liabilities**

	31/12/17	31/12/16
<b>Composition:</b>		
Purchase price liabilities for properties	7,516	–
Payables due to joint ventures	3,874	4,191
Security deposits received	2,211	2,550
Retentions	1,070	479
Trade liabilities	244	–
Operational leasing liabilities	16	–
	<b>14,931</b>	<b>7,220</b>

The purchase price liabilities for properties pertain to an office building in Krakow that was acquired in December 2017.

The rise in security deposits is related to the increase in development projects.



### 7.13. Provisions

The provisions pertain to pensions and other long-term employee benefits and other provisions. The provisions for pensions and other long-term employee benefits are non-current provisions.

#### 7.13.1. Provisions for pensions and other long-term employee benefits (section 3.12.)

	Voluntary pension benefit commitments	Legal entitlement to Severance benefits	Anniversary bonuses	Total
<b>Changes in 2016:</b>				
As at 1 January	612	1,644	97	2,353
Severance payments	–	(33)	–	(33)
Service costs	120	23	13	156
<b>Change recognised in personnel expenses</b>	<b>120</b>	<b>(10)</b>	<b>13</b>	<b>123</b>
Actuarial losses from changed financial assumptions	141	51	–	192
Other (restatements based on experience)	–	(210)	–	(210)
<b>Remeasurement recognised in other comprehensive income</b>	<b>141</b>	<b>(159)</b>	<b>–</b>	<b>(18)</b>
Interest costs	12	28	2	42
<b>As at 31 December</b>	<b>885</b>	<b>1,503</b>	<b>111</b>	<b>2,499</b>
<b>Changes in 2017:</b>				
As at 1 January	885	1,503	111	2,499
Severance payments	–	(309)	–	(309)
Service costs	140	20	(4)	157
<b>Change recognised in personnel expenses</b>	<b>140</b>	<b>(289)</b>	<b>(4)</b>	<b>(152)</b>
Actuarial losses from changed financial assumptions	(83)	58	–	(26)
<b>Remeasurement recognised in other comprehensive income</b>	<b>(83)</b>	<b>58</b>	<b>–</b>	<b>(26)</b>
Interest costs	13	20	2	35
<b>As at 31 December</b>	<b>955</b>	<b>1,292</b>	<b>109</b>	<b>2,357</b>

The provisions are determined using the projected unit credit method. The salary increase is estimated at 2.75% (2016: 2.75%) for severance payments and for anniversary bonuses. The annual increase for pension entitlements is 2%–2.125%. The calculations are based on a discount rate of 1.75% (2016: 1.5%). Fluctuation discounts were not applied. The calculation is based on the current version of AVÖ 2008-P für Angestellte. The average term of the obligations for pension benefits is 33.9 years (2016: 35.5 years) and for severance payments 7.6 years (2016: 7.2 years).

Two members of the Management Board had been awarded binding pension plans as at 31 December 2017. These are reported in the transactions with Management Board members in section 9.3.2.2.

The following table shows the sensitivity of the net cash values of the obligations in response to certain changes in the inputs

that, based upon reasonable judgement, may in principle occur. All other variables remain constant.

Actuarial assumption	Possible change	Change in the net cash value for:	
		Pensions	Severance payments
<b>Sensitivity analysis 2016:</b>			
Discount rate	+1 percentage point	(257)	(98)
Discount rate	-1 percentage point	377	114
Salary increase	+0.5 percentage points	86	53
Salary increase	-0.5 percentage points	(78)	(50)
<b>Sensitivity analysis 2017:</b>			
Discount rate	+1 percentage point	(267)	(89)
Discount rate	-1 percentage point	385	106
Salary increase	+0.5 percentage points	86	49
Salary increase	-0.5 percentage points	(78)	(45)

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

	2017	2016
Defined benefit obligations	2,357	2,499
Remeasurement (actuarial gains/losses)	(26)	192

### 7.13.2. Other provisions

	Short-term	Long-term	Total
<b>Changes in 2016:</b>			
As at 1 January	613	–	613
Utilised	(59)	–	(59)
Additions	3	–	3
Reclassifications according to IFRS 5	(303)	–	(303)
Exchange adjustments	(2)	–	(2)
<b>As at 31 December</b>	<b>252</b>	<b>–</b>	<b>252</b>
<b>Changes in 2017:</b>			
As at 1 January	252	–	252
Utilised	9	–	9
Additions	1,619	–	1,619
Exchange adjustments	4	–	4
<b>As at 31 December</b>	<b>1,884</b>	<b>–</b>	<b>1,884</b>

The allocation of the provision is primarily connected to potential repayment claims for input taxes.

**7.14. Deferred income**

	31/12/17	31/12/16
<b>Composition non-current:</b>		
Advanced rent received St. Petersburg	3,036	3,482
Other	180	180
	<b>3,215</b>	<b>3,662</b>

	31/12/17	31/12/16
<b>Composition current:</b>		
Advanced rent received St. Petersburg	191	206
Other	6	23
	<b>197</b>	<b>229</b>

The advance rental payments for St. Petersburg pertain to a 20-year lease for the use of vehicle parking spaces for the tenants of the Jupiter office towers. The rent was paid in full in advance in accordance with the provisions of the lease and will be recognised as revenue on a proportionate basis over the term of the lease.

**7.15. Trade and other payables and other current liabilities**

	31/12/17	31/12/16
<b>Composition:</b>		
Trade liabilities	4,172	5,447
Other liabilities	3,743	942
Liabilities to related parties	2,302	2,513
Payables due to joint ventures	1,028	906
Advance payments received	819	968
Security deposits received	412	376
	<b>12,475</b>	<b>11,152</b>

Other liabilities contain tax liabilities of EUR 2,963 thousand (2016: EUR 264 thousand), liabilities for social security contributions of EUR 184 thousand (2016: EUR 109 thousand), and accruals for unconsumed compensated absences of EUR 204 thousand (2016: EUR 180 thousand). The tax liabilities primarily pertain to the VAT from an intragroup property transaction (see also the explanations regarding section 7.6.).

For information on terms and conditions for transactions with related parties, please refer to section 9.3.2.

Trade receivables are non-interest-bearing and generally have terms of 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.

**[08] Disclosures on financial instruments, fair value, and financial risk management****8.1. Financial instruments and fair value (IFRS 7 and IFRS 13)****8.1.1. Carrying amounts and fair values according to class and measurement category**

The following shows the carrying amounts for financial instruments and for assets and liabilities that are measured at fair value, broken down by classes.

Measurement category as per IAS 39 or other IFRS		IFRS 13 level	Carrying amount 31/12/17	Fair value 31/12/17	Carrying amount 31/12/16	Fair value 31/12/16
<b>Assets – categories</b>						
IAS 40	Investment properties (developed)	3	103,613	103,613	68,576	68,576
IAS 40	Investment properties (in development)	3	51,150	51,150	43,163	43,163
IAS 19	Refund claims (other financial assets)		556	556	464	464
LaR	Financial assets – fixed rate		9,400	8,057	8,230	8,230
LaR	Other financial assets		3,043	3,043	3,035	3,035
AfS	Financial assets, available for sale	3	6,146	6,146	583	583
	Non-current non-financial assets and non-current assets not measured at fair value		49,363		50,134	
	<b>Total non-current assets</b>		<b>223,272</b>		<b>174,185</b>	
LaR	Receivables		6,853	6,853	4,744	4,744
LaR	Cash and cash equivalents		22,849	22,849	2,769	2,769
AfS	Financial assets, available for sale	3	–	–	6,233	6,233
IFRS 5	Financial assets in disposal groups	3	–	–	4,875	4,875
	Non-financial current assets and current assets not measured at fair value		12,280		165,081	
	<b>Total current assets (including IFRS 5)</b>		<b>41,982</b>		<b>183,701</b>	
	<b>Total assets</b>		<b>265,254</b>		<b>357,886</b>	
<b>Liabilities – classes</b>						
FL	Fixed-rate convertible bonds	3	–	–	3,971	3,896
FL	Variable-rate bonds	3	–	–	28,587	27,959
FL	Fixed-rate bonds	3	5,357	5,423	14,401	14,668
FL	Fixed-rate loans	3	100,029	117,357	91,291	100,375
FL	Variable-rate loans	3	21,531	26,189	14,044	14,027
FL	Other non-current liabilities		12,729	12,729	7,220	7,220
FVTPL	Derivative financial instruments – conversion rights	3	929	929	401	401
IAS 19	Provisions for pensions		955	955	885	885
	Non-financial non-current liabilities and non-current liabilities not measured at fair value		12,392		8,572	
	<b>Total non-current liabilities</b>		<b>153,922</b>		<b>169,371</b>	
FL	Fixed-rate convertible bonds	3	4,543	4,676	3,931	3,931
FL	Variable-rate bonds	3	1,603	1,644	481	483
FL	Fixed-rate bonds	3	–	–	71	71
FL	Fixed-rate loans	3	4,505	4,910	4,598	4,793
FL	Variable-rate loans	3	2,279	2,287	8,658	8,658
FL	Other liabilities	3	8,304	8,304	9,631	9,631
IFRS 5	Financial liabilities related to disposal groups	3	–	–	99,540	99,540
	Non-financial current liabilities and current liabilities not measured at fair value		6,617		18,548	
	<b>Total current liabilities (including IFRS 5)</b>		<b>27,851</b>		<b>145,457</b>	
	<b>Total liabilities</b>		<b>181,773</b>		<b>314,828</b>	
					<b>31/12/17</b>	<b>31/12/16</b>
Summary of carrying amounts by category for financial assets and liabilities:						
LaR	Loans and receivables				42,146	18,777
AfS	Available for sale				6,146	6,816
FL	Financial liabilities at amortised cost				(160,880)	(186,883)
FVTPL	At fair value through profit or loss				(929)	(401)
IFRS 5	Financial instruments related to disposal groups				–	(94,665)

The fair values were determined as follows:

The investment properties are recognised at fair value pursuant to IAS 40. The fair value is determined using the discounted cash flow method, the residual value method, or the comparative method depending on the stage of development of the respective property (see also the information about material discretionary decisions and estimates in section 3.4.1.2.).

The fair value of the fixed-rate financial assets (fair value level 3) was determined in the same manner as the fair value of the financial liabilities. The carrying amounts of the cash and cash equivalents and of the current receivables and liabilities are almost identical with the fair values because of the short terms. The same applies to the other financial assets because of their interest rate structure.

Please see sections 7.7. and 8.1.3. for information about the measurement of the fair value of the available-for-sale financial assets.

The fair value for convertible bonds, bonds, and loans in level 3 of the fair value hierarchy was determined by discounting the future payment flows with the Group-specific interest rates for new financing as estimated on the reporting date, taking own credit risk into account. The fair value of the fixed-rate financial assets was determined in the same manner as the fair value of the financial liabilities.

The conversion rights represent embedded derivative financial instruments that are measured according to the Black/Scholes model, taking own credit risk into account.

**8.1.2. Reconciliation of level 3 measurement  
(recurring fair value measurement)**

The assets and liabilities that are subject to recurring fair value measurement changed as follows:

	2017	2016
<b>Change in assets:</b>		
Carrying amounts at 1 January	118,555	95,207
Additions	31,666	8,541
Disposals	(583)	(4,951)
Gains/losses on remeasurement in profit or loss	16,185	7,916
Other income/expenses	(4,914)	11,842
<b>Carrying amounts at 31 December</b>	<b>160,909</b>	<b>118,555</b>

The remeasurement result in the income statement pertains to investment properties, as in the prior year, and is included in the position Depreciation, amortisation, and remeasurement. The remeasurement result in the other comprehensive income pertains to assets that are available for sale, as in the prior year, as well as the gains/losses on currency translation. These are unrealised value changes in each case.

	2017	2016
<b>Changes in liabilities:</b>		
Carrying amounts at 1 January	401	2,142
Additions	–	95
Disposals	–	–
Reclassification according to IFRS 5 (related to disposal groups)	–	(2,369)
Gains/losses on remeasurement in profit or loss	529	(202)
Gains/losses on remeasurement in other comprehensive income	–	735
<b>Carrying amounts at 31 December</b>	<b>929</b>	<b>401</b>

The remeasurement result in the income statement involves unrealised measurement losses from the conversion rights, which are recognised under the finance expenses. The measurement in other comprehensive income in 2016 pertains to a cash flow hedge. For information about the reclassification according to IFRS 5 in the prior year, please refer to section 5.1.



**8.1.3. Measurement methods and inputs (recurring fair value measurement)**

The following table shows the measurement method and input parameters relating to the recurring fair value measurement of financial instruments:

Level	Classes	Measurement method	Material inputs
3	Assets, available for sale	Income-based	Cash flows, exit yield
3	Non-current derivative financial instruments – conversion right	Income-based	Volatility, share prices

No changes were made to the measurement methods in the reporting period.

The following is quantitative information about material, unobservable inputs that were used in the measurement of fair value.

Level	Classes	Material inputs	Range	Weighted average
<b>2016</b>				
3	Assets, available for sale	Exit yield	3.25%	3.25%
3	Assets, available for sale	Cash flow (year one) in EUR '000	3,667	3,667
3	Non-current derivative financial instruments – conversion rights	Volatility	59%	
<b>2017</b>				
3	Assets, available for sale	Exit yield	3.25%	3.25%
3	Assets, available for sale	Cash flow (year one) in EUR '000	3,392	3,392
3	Non-current derivative financial instruments – conversion rights	Volatility	51.5%	

**8.1.4. Sensitivity analysis for changes in unobservable material inputs (recurring measurement)**

The following is quantitative information about material, unobservable inputs that were used in the measurement of the fair value of financial instruments.

Level	Input factor	Change of assumption	Change in total comprehensive income before taxes	
			2017	2016
3	Assets, available for sale			
	Exit yield	+ 50 bp	-1,261	-1,222
	Exit yield	- 50 bp	1,694	1,640
	Cash flow (year one)	+ 5%	638	503
	Cash flow (year one)	- 5%	-567	-691
3	Derivative financial instruments – conversion right:			
	Volatility of Warimpex share price in PLN	+ 5 percentage points	-82	-138
	Volatility of Warimpex share price in PLN	- 5 percentage points	84	129

**8.1.5. Net results from financial instruments**

The following information pertains to the income and expense items and the gains and losses per measurement category as related to the financial instruments:

	Measurement categories according to IAS 39					Total
	FVTPL	LaR	AfS	FL	Hedge	
<b>Financial year 2016:</b>						
Allocation/release of impairments		(43)				(43)
Interest and other financial revenue		1,314				1,314
Interest costs				(22,991)		(22,991)
Expenses from early redemption				(13)		(13)
Unrealised remeasurement result	153					153
Result from exchange rate changes				20,343		20,343
<b>Profit or loss for the period</b>	<b>153</b>	<b>1,270</b>	<b>–</b>	<b>(2,661)</b>	<b>–</b>	<b>(1,238)</b>
Unrealised remeasurement result in equity			(75)		(735)	(810)
<b>Net result from consolidated statement of comprehensive income</b>	<b>153</b>	<b>1,270</b>	<b>(75)</b>	<b>(2,661)</b>	<b>(735)</b>	<b>(2,048)</b>
<b>Financial year 2017:</b>						
Allocation/release of impairments		17				17
Interest and other financial revenue		984				984
Interest costs				(9,972)		(9,972)
Impairment reversals		2,445				2,445
Unrealised remeasurement result	(509)					(509)
Reclassification to income statement			661		(1,190)	(529)
Result from exchange rate changes				(7,409)		(7,409)
<b>Profit or loss for the period</b>	<b>(509)</b>	<b>3,446</b>	<b>661</b>	<b>(17,380)</b>	<b>(1,190)</b>	<b>(14,973)</b>
Unrealised remeasurement result in equity			(748)		1,234	486
<b>Net result from consolidated statement of comprehensive income</b>	<b>(509)</b>	<b>3,446</b>	<b>(87)</b>	<b>(17,380)</b>	<b>44</b>	<b>(14,487)</b>

All financial instruments that are measured at fair value through profit or loss are classified upon initial recognition.

Changes in the value of available-for-sale assets and the cash flow hedge affect the other comprehensive income and were reclassified to the income statement upon the disposal of the relevant financial instrument.

**8.2. Financial risk management**

In terms of financial risk management, the goal of the Group is to minimise risks to the greatest extent possible, taking the associated costs into account. A detailed description of the material financial risks to which the Group is exposed and the associated financial risk management (qualitative information on financial risks) can be found in the risk reporting section of the consolidated management report (Material risks and uncertainties to which the Group is exposed).

The following information is about the quantitative risks that relate to financial instruments.

**8.2.1. Interest rate risk**

The Group strives to maintain a risk-oriented relationship between fixed- and variable-rate financial liabilities.

Taking into account existing interest rate swaps, about 82 per cent (2016: 70 per cent) of the Group's debt obligations were fixed-rate obligations on the reporting date and are not subject to interest rate risk. Details about the interest rate terms for the variable-rate financial liabilities can be found in section 7.10.5.

**Sensitivity of interest rate changes:**

The following table shows the sensitivity of Group earnings before taxes to certain changes in material market interest

rates that, based upon reasonable judgement, may in principle occur (owing to the impact of such changes on variable-rate loans). All other variables remain constant.

	Increase in basis points	Effect on the earnings before taxes	Reduction in basis points	Effect on the earnings before taxes
<b>2016</b>				
3M EURIBOR	+50	(246)	-50	246
6M WIBOR	+50	(17)	-50	17
<b>2017</b>				
3M EURIBOR	+50	(197)	-50	197
6M WIBOR	+50	(78)	-50	78

**Interest rate risk for financial liabilities:**

The following table shows the variable-rate financial liabilities

of the Group that are subject to interest rate risk broken down by contractual maturity:

	2017	2018	2019	2020	2021	more than five years	Total
<b>31/12/2016:</b>							
Project loans	3,456	762	634	651	669	11,219	17,392
Borrowing/overdraft facilities	4,477	–	–	–	–	–	4,477
Bonds	339	26,563	2,193	–	–	–	29,095
Other	833	–	–	–	–	–	833
	<b>9,105</b>	<b>27,325</b>	<b>2,827</b>	<b>651</b>	<b>669</b>	<b>11,219</b>	<b>51,797</b>
<b>31/12/2017:</b>							
Project loans	1,274	754	748	732	750	18,435	22,693
Borrowing/overdraft facilities	–	–	501	–	–	–	501
Bonds	1,600	–	–	–	–	–	1,600
Other	617	–	–	–	–	–	617
	<b>3,491</b>	<b>754</b>	<b>1,249</b>	<b>732</b>	<b>750</b>	<b>18,435</b>	<b>25,411</b>

**8.2.2. Currency risk**

The currency structure of financial liabilities in the Group breaks down as follows:

	RUB	PLN	EUR	Total
<b>31/12/2016:</b>				
In foreign currencies		77,024		
In EUR		17,411	152,622	<b>170,032</b>
<b>31/12/2017:</b>				
In foreign currencies	857,434	20,060		
In EUR	12,451	4,809	147,488	<b>139,847</b>

**Sensitivity of consolidated earnings:**

The following table shows the sensitivity of the Group's earnings before taxes to certain changes in exchange rates that,

based upon reasonable judgement, may occur for the respective currency versus the euro. All other variables remain constant.

	CZK	PLN	RUB	Total
<b>Sensitivity 2016:</b>				
Increase by 10%	(336)	(739)	(9,168)	(10,243)
Decrease by 10%	336	739	9,168	10,243
Increase by 20%			(18,335)	(18,335)
Decrease by 20%			18,335	18,335
Increase by 50%			(45,838)	(45,838)
Decrease by 50%			45,838	45,838
<b>Sensitivity 2017:</b>				
Increase by 10%	(346)	(1,175)	(8,401)	(9,922)
Decrease by 10%	346	1,175	8,401	9,922
Increase by 20%			(16,802)	(16,802)
Decrease by 20%			16,802	16,802
Increase by 30%			(25,204)	(25,204)
Decrease by 30%			25,204	25,204

**Sensitivity of equity:**

The following table shows the sensitivity of the Group's equity to certain changes in exchange rates that, based upon reasonable

judgement, may occur for the respective currency versus the euro. All other variables remain constant.

	CZK	PLN	RUB	Total
<b>Sensitivity 2016:</b>				
Increase by 10%	(5)	(506)	(444)	(955)
Decrease by 10%	5	506	444	955
Increase by 20%			(888)	(888)
Decrease by 20%			888	888
Increase by 50%			(2,220)	(2,220)
Decrease by 50%			2,220	2,220
<b>Sensitivity 2017:</b>				
Increase by 10%	1	(445)	(449)	(893)
Decrease by 10%	(1)	445	449	893
Increase by 20%			(898)	(898)
Decrease by 20%			898	898
Increase by 30%			(1,347)	(1,347)
Decrease by 30%			1,347	1,347

**8.2.3. Default risk**

Please refer to section 7.6. for quantitative information about default risk. This shows the impairments that were recognised and the maturity structure of the current receivables. Information about a loan extended to AO Micos can be found in section 7.3.2. The maximum default risk is limited to the carrying amount of the financial receivables. There is no evidence of impairment for the financial assets that are neither past due nor impaired.

Because of the business activities of the Group, default risk is not generally seen as a core risk; impairment charges are recognised to the extent necessary.

**8.2.4. Liquidity risk**

The Group had current financial liabilities in the amount of EUR 21,234 thousand (2016: EUR 126,910 thousand including financial liabilities of disposal groups) as at the

reporting date. Of this, EUR 12,930 thousand (2016: EUR 17,739 thousand) pertain to current financial liabilities serving Group financing purposes.

The share of debt falling due within 12 months should not exceed 35 per cent of liabilities. On the reporting date, 15.3 per cent (2016: 14.1 per cent excluding financial liabilities of disposal groups) of the liabilities were current (excluding the current liabilities reported according to IFRS 5).

Following the sale of hotel holdings in May 2017 (see section 5.1.), the Group has sufficient liquidity to service its liabilities and to finance its projects.

The maturity structure of the Group's non-derivative financial liabilities was as shown below on the reporting date. The figures are stated on the basis of contractual, non-discounted payment obligations including interest payments.

Non-derivative financial liabilities:	Due within 1 year	1 to 5 years	over 5 years	Total
Fixed-rate convertible bonds	4,803	–	–	4,803
Variable-rate bonds	1,544	5,638	–	7,181
Fixed-rate bonds	–	–	–	–
Fixed-rate project loans	3,037	13,176	12,052	28,265
Variable-rate project loans	1,609	5,196	24,157	30,962
Fixed-rate borrowing/overdraft facilities	–	–	–	–
Variable-rate borrowing/overdraft facilities	11	524	–	536
Other loans and borrowings	1,443	106	66,666	68,215
Trade and other payables	8,304	12,729	–	21,033
<b>Total</b>	<b>20,751</b>	<b>37,368</b>	<b>102,875</b>	<b>160,994</b>

Information about the maturity analysis of the derivative liabilities can be found in section 7.11. The derivative financial liabilities are current liabilities.



## [09] Other disclosures

### 9.1. Other commitments, litigation, and contingencies

#### 9.1.1. Litigation

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

#### 9.1.2. Contractual obligations

Prior to the reporting date, the Group concluded binding leases for office spaces that are yet to be completed in Łódź and Krakow. Under the terms of these leases, the Group is obligated to hand over the relevant offices to the tenants in the agreed condition on a specified date. In addition, Warimpex agreed to provide fit-out contributions for the future tenants in a total amount of EUR 2,582 thousand.

#### 9.1.3. Contractual bonds and guarantees

The Group was subject to the following contractual bonds and guarantees on the reporting date:

	Explanation	Maximum outstanding amount
<b>Guarantees and bonds in the Group:</b>		
Guarantees related to the sale of Le Palais Offices, Warsaw	9.1.3.1.	31,701
Guarantees related to the sale of the Jupiter office towers, St. Petersburg – loan	9.1.3.2.	11,252
Guarantees related to the sale of the angelo Prague	9.1.3.3.	7,200

	Explanation	Maximum outstanding amount
<b>Guarantees and bonds related to joint ventures:</b>		
Contractual guarantee related to the sale of andel's hotel, Berlin	9.1.3.4.	17,520
Obligations related to Dream Castle Hotel, Paris	9.1.3.5.	16,483
Obligations related to the Magic Circus hotel, Paris	9.1.3.6.	7,074
Business guarantee related to the leasing of the InterContinental hotel, Warsaw	9.1.3.7.	3,170

#### 9.1.3.1. Guarantees related to the sale of Le Palais Offices, Warsaw

In connection with the sale of the Le Palais Offices property in 2013, Warimpex issued various guarantees for the new owner up to a maximum amount of the total purchase price. These guarantees primarily cover the standard warranty obligations of a seller with regards to the characteristics of the property and the legal title to the property.

#### 9.1.3.2. Guarantees related to the Jupiter office towers, St. Petersburg

The owner of the Jupiter 1 and 2 office towers is AO Micos, in which ZAO Avielen AG has had a stake of 44.02 per cent since October 2016 (see also section 7.3.2.). Micos took out a bank loan to finance the office towers for which Avielen issued a guarantee in accordance with its original stake of 19 per cent. The guaranteed amount was EUR 11,252 thousand as at the reporting date.

#### 9.1.3.3. Guarantees related to the sale of the angelo hotel Prague

The angelo hotel in Prague was sold to an investor under a share deal in 2016. The purchase price was based on a usual GOP I (gross operating profit less management fees of the hotel manager) in the amount of EUR 1,800 thousand. Should the annual GOP I be less than EUR 1,800 thousand within the first five years after the conclusion of the purchase contract, Warimpex is required to repay this amount to the buyer as a purchase price reduction. Should the GOP I exceed EUR 1,800 thousand, the purchase price for Warimpex increases.

#### 9.1.3.4. Guarantees related to the sale of the andel's hotel Berlin

The joint venture UBX 1 Objekt Berlin Ges.m.b.H. entered into the typical liabilities and guarantee obligations for real estate transactions in connection with the sale of the andel's hotel in Berlin in 2015. The liability is limited to an amount of 15 per cent of the purchase price and, with the exception of the guarantee that the property remain unencumbered, to a period of three years. The joint venture partners are jointly liable, and the liability is limited to 50 per cent internally.

In addition, the buyer and the leaseholder agreed on lease collateral in the lease agreement, of which EUR 1,770 thousand applied to Warimpex. This guarantee was transferred to a company of the buyer in connection with the hotel sales (see section 5.1.) upon closing.

**9.1.3.5. Guarantees related to the Dream Castle Hotel, Paris**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Development AG. These sell-out rights can be exercised starting in 2024 or in the event that the lessee is late in making its contractual payments. Warimpex is jointly liable for the 50 per cent share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognised in the statement of financial position totalled EUR 16.5 million on the reporting date (2016: EUR 17.1 million).

**9.1.3.6. Guarantees related to the Magic Circus hotel, Paris**

In connection with the finance lease, the lessor has sell-out rights to Warimpex and the joint venture partner UBM Development AG. These sell-out rights can be exercised starting in 2027 or in the event that the lessee is late in making its contractual payments. Warimpex is jointly liable for the 50 per cent share in the joint venture partner.

The obligations arising from this joint liability above and beyond the financial liabilities recognised in the statement of financial position totalled EUR 7.1 million on the reporting date (2016: EUR 7.5 million).

**9.1.3.7. Guarantee related to the InterContinental hotel, Warsaw**

Warimpex issued a business guarantee to the lessor of the InterContinental hotel in Warsaw, which is operated by a joint venture. The guarantee amounts to EUR 3,170 thousand as at the reporting date and has a term lasting until 31 March 2035.

**9.2. Information about leasing arrangements****9.2.1. Finance leases as lessee**

The Group is no longer a lessee in finance leases following the sale of hotel holdings on 31 May 2017 (see section 5.1.).

**9.2.2. Operating leasing as lessee**

The Group is party to the following operating leasing arrangements:

*Lease for Dvořák spa hotel, Karlovy Vary*

The Group concluded a new lease agreement for the Dvořák spa hotel at the end of March 2017. The lease agreement has a term of 10 years and was classified as an operating lease according to the criteria of the IAS 17 leasing standard based on the structure of the lease.

*Office leases and other leases*

Individual subsidiaries are party to lease agreements for office space, vehicles, and office equipment as well as lease and easement agreements in connection with development projects in Poland.

	2017	2016
Expenses from minimum lease payments	1,672	3,371

	Total	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
Future minimum lease payments as at 31 December 2016	2,339	815	1,300	224
Future minimum lease payments as at 31 December 2017	7,991	1,772	3,771	2,448

### 9.2.3. Operating leasing as lessor

The Group is party to operating leasing agreements as lessor in relation to its let investment properties. As at the reporting date, this pertained to the following properties and subsidiaries:

- Erzsébet office towers, Budapest
- Zeppelin office tower, St. Petersburg
- Bykovskaya multi-use building, St. Petersburg
- Mogilska 41 office, Krakow
- Sajka office building, Budapest

In addition, binding leases have already been concluded for office buildings that are under construction in Łódź and Krakow (see item 9.1.2.).

	Total	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
Future minimum lease payments, non-cancellable as at 31 December 2016	68,802	8,218	31,397	29,187
Future minimum lease payments, non-cancellable as at 31 December 2017	121,385	12,089	70,774	38,522

### 9.3. Related party disclosures

#### 9.3.1. Overview of related parties

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), holds 10.7 per cent of the shares in Warimpex Finanz- und Beteiligungs AG as of the reporting date and held 49.01 per cent of the shares in Vienna International Hotelmanagement AG until 31 May 2017. The entity is a related party due to Franz Jurkowsch being a beneficiary.

##### Bocca Privatstiftung:

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178104v, Commercial Court Vienna), holds 10.6 per cent of the shares in Warimpex Finanz- und Beteiligungs AG as of the reporting date and held 49.01 per cent of the shares in Vienna International Hotelmanagement AG until 31 May 2017. The entity is a related party due to Georg Folian being a beneficiary.

##### Management Board:

###### Franz Jurkowsch

Is Chairman of the Management Board of the Company and held 14.1 per cent of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

###### Georg Folian

Was Deputy Chairman of the Management Board of the Company on the reporting date and held 14.6 per cent of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date. Georg Folian resigned from the Management Board on his 70th birthday on 1 January 2018. His successor is Daniel Folian.

###### Alexander Jurkowsch

Is a member of the Management Board of the Company and held 0.6 per cent of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

###### Florian Petrowsky

Is a member of the Management Board of the Company and held 0.1 per cent of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

##### Supervisory Board:

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

###### Günter Korp

Chairman of the Supervisory Board

###### Thomas Aistleitner

Deputy Chairman of the Supervisory Board

###### Harald Wengust

Member of the Supervisory Board

###### William de Gelsey

Member of the Supervisory Board

###### Hubert Staszewski

Member of the Supervisory Board

##### Vienna International Hotelmanagement AG:

A-1200 Vienna, Dresdnerstrasse 87, serves as a hotel manager for Warimpex.

Amber Privatstiftung and Bocca Privatstiftung held shares in Warimpex Finanz- und Beteiligungs AG and in Vienna International Hotelmanagement AG (VI).

Concurrently to the sale of the hotel portfolio by Warimpex, Amber Privatstiftung and Bocca Privatstiftung sold their shares to VI on 31 May 2017. Therefore, VI no longer qualifies as a related party as of 1 June 2017. VI will continue to manage three hotels that are operated by Warimpex (two of them as joint ventures).

##### All subsidiaries, joint ventures, and associates:

Please refer to the information about subsidiaries in section 4. and to the information about joint ventures and associates in section 7.3.

### 9.3.2. Related party transactions

#### 9.3.2.1. Transactions with Amber Privatstiftung and Bocca Privatstiftung

As in the prior year, there were no transactions with Amber Privatstiftung or Bocca Privatstiftung in the reporting period.

**9.3.2.2. Transactions with Management Board members**

	2017	2016
Directors' remuneration 1 January to 31 December	3,486	2,183
Liabilities due to Management Board members as at 31 December	2,302	2,360
<i>The directors' remuneration breaks down among the Management Board members as follows:</i>		
Franz Jurkowitsch	923	540
Georg Folian	1,170	540
Alexander Jurkowitsch	725	634
Florian Petrowsky	668	468
	<b>3,486</b>	<b>2,183</b>
<i>The directors' remuneration breaks down as follows:</i>		
Current benefits	3,080	2,041
<i>thereof variable (bonus)</i>	<i>2,027</i>	<i>861</i>
Release/allocation to provision for severance payments	(290)	(150)
Severance payments	556	–
Allocation to provision for pension benefits	140	292
	<b>3,486</b>	<b>2,183</b>

As in the prior year, the variable remuneration (bonus) for the Management Board amounts to 5 per cent of the annual profit attributable to the shareholders of the parent.

Pension plans were in force for the Management Board members Alexander Jurkowitsch and Florian Petrowsky (fixed, indexed amount) on the reporting date. Pension reimbursement insurance has been taken out for these commitments. The right to pension benefits starts when the beneficiary reaches the legal retirement age of 65 years.

Eligibility for pension benefits under the Company pension plan lapses if the employment contract is terminated for the grounds stated in Section 27 Employees Act, or if a director resigns or terminates his or her work contract for no material reason. With regards to the pension reimbursement insurance, in the event that a director's employment contract is terminated prior to reaching the age of 65, he or she will be entitled to the payment of the surrender value of the policy instead of pension benefits.

Other termination entitlements are governed by the Austrian Salaried Employee Act (AngG).

**9.3.2.3. Transactions with Supervisory Board members**

	2017	2016
Supervisory Board fees	135	129
Fees paid to Supervisory Board members as at 31 December	–	–
<i>The Supervisory Board members' fees break down among the Supervisory Board members as follows:</i>		
Günter Korp	43.0	35.0
Thomas Aistleitner	34.0	30.0
Harald Wengust	21.0	17.5
William de Gelsey	18.5	17.5
Hannes Palfinger (until June 2016)	6.2	17.5
Hubert Staszewski (from June 2016)	12.3	–
Tomasz Mazurczak (until August 2015)	–	11.7
	<b>135</b>	<b>129</b>

All Supervisory board members' fees are current liabilities.

Transactions with the members of the Supervisory Board all pertain solely to the parent company.

**9.3.2.4. Transactions with Vienna International  
Hotelmanagement AG (VI)**

Remuneration for hotel management is provided on a variable basis and depends on the revenue and gross operating profit (GOP) of the respective hotel. The contracts with VI contain standard industry periods of notice for termination. Because VI only qualified as a related party until 31 May 2017, the figures for 2017 only pertain to the first five months of the year.

	2017	2016
<i>Transactions between Group companies (fully consolidated) and Vienna International AG:</i>		
Management fee charged 1 January to 31 May (2016: full year)	(792)	(2,783)
Other procured services 1 January to 31 May (2016: full year)	(929)	(2,030)
Fees charged by VI as at 31 December	n/a	(3,495)
<i>Transactions between joint ventures (equity method) and Vienna International AG</i>		
Management fee charged 1 January to 31 May (2016: full year)	(398)	(940)
Other procured services 1 January to 31 May (2016: full year)	209	(617)
Fees charged by VI as at 31 December	n/a	(661)



**9.3.2.5. Transactions with joint ventures and associates**

	2017	2016
Income from transactions with joint ventures	266	594
Receivables from joint ventures and associates	9,614	8,651
Liabilities to joint ventures and associates as at 31 December	(6,256)	(6,242)

The income from transactions with joint ventures primarily pertains to the allocation of costs to joint ventures. The liabilities to joint ventures include the non-current payable related to the allocation of a security account for a rent guarantee.

Please refer to section 9.1.3. for information about contractual bonds and guarantees issued for joint ventures.

**9.4. Events after the reporting date**

The agreement on the sale of a property in Budapest was signed in March 2018. The transaction is expected to close in May 2018. The deal is expected to result in a cash flow of EUR 5,400 thousand but not to generate a profit due to the impairment reversal that was already recognised in 2017 (see section 5.1.).

The convertible bond that was due to mature in November 2018 in the amount of PLN 19.5 million was redeemed early in full in March and April 2018.

In mid-April 2018, the Group concluded a contract for the purchase of a fully occupied office building in Budapest. The purchase price is roughly EUR 7,800 thousand. The contract is expected to be closed in the second quarter of 2018.

Vienna, 25 April 2018



**Franz Jurkowitzsch**  
Chairman  
of the Management Board



**Daniel Folian**  
Deputy Chairman  
of the Management Board



**Alexander Jurkowitzsch**  
Member of the  
Management Board



**Florian Petrowsky**  
Member of the  
Management Board

# Auditor's report\*

## Report on the Consolidated Financial Statements

### Audit Opinion

We have audited the consolidated financial statements of **Warimpex Finanz- und Beteiligungs Aktiengesellschaft, Vienna,**

and of its subsidiaries (the Group) comprising the consolidated statement of financial position as of December 31, 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year then ended and the notes to the consolidated financial statements.

Based on our audit the accompanying consolidated financial statements were prepared in accordance with the legal regulations and present fairly, in all material respects, the assets and the financial position of the Group as of December 31, 2017 and its financial performance for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU, and the additional requirements under Section 245a Austrian Company Code UGB.

### Basis for Opinion

We conducted our audit in accordance with the regulation (EU) no. 537/2014 (in the following „EU regulation“) and in accordance with Austrian Standards on Auditing. Those standards require that we comply with International Standards on Auditing (ISA). Our responsibilities under those regulations and standards are further described in the „Auditor's Responsibilities for the Audit of the Consolidated Financial Statements“ section of our report. We are independent of the Group in accordance with the Austrian General Accepted Accounting Principles and professional requirements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the fiscal year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming

our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the key audit matters that we identified:

- Valuation of investment property
- Valuation of property, plant and equipment
- Partial-sale of hotel portfolio

#### Title

#### Valuation of investment property

#### Risk

Warimpex Finanz- und Beteiligungs AG reports investment properties in the amount of EUR 154,763 thousand and a result from revaluation amounting to EUR 16,189 thousand in the consolidated financial statements as of December 31, 2017.

Investment properties are measured at fair value based on valuation reports from external, independent valuation experts.

The valuation of investment properties is subject to material assumptions and estimates. The material risk for every individual property exists when determining assumptions and estimates such as the discount-/capitalization rate and rental income and for investment properties under development the construction and development costs to completion and the developer's profit. A minor change in these assumptions and estimates can have a material impact on the valuation of investment properties.

The respective disclosures relating to significant judgements, assumptions and estimates are shown in Section 3.4.1.2. and 7.2. in the consolidated financial statements.

#### Consideration in the audit

To address this risk, we have critically assessed the assumptions and estimates made by management and the external, independent valuation experts and performed, among others, the following audit procedures with involvement of our internal property valuation experts:

- Assessment of concept and design of the underlying property valuation process
- Assessment of the competence and independence of the external valuation experts engaged by management

\* This report is a translation of the original report in German, which is solely valid. Publication or sharing with third parties of the consolidated financial statements together with our auditor's opinion is only allowed if the consolidated financial statements and the management report for the Group are identical with the German audited version. This audit opinion is only applicable to the German and complete consolidated financial statements with the management report for the Group. Section 281 paragraph 2 UGB (Austrian Company Code) applies to alternated versions.

- Assessment of the applied methods and the mathematical accuracy of selected valuation reports as well as assessment of the plausibility of the underlying assumptions (eg. Rental income, discount-/capitalization rate, vacancy rate) by means of comparison with market data if available.

#### *Title*

#### **Valuation of property, plant and equipment**

#### *Risk*

Warimpex Finanz- und Beteiligungs AG reports property, plant and equipment in the amount of EUR 29,561 thousand and a result from reversal of impairment amounting to EUR 4,631 thousand in the consolidated financial statements as of December 31, 2017. Property, plant and equipment mainly consists of own-used property and building (hotel property).

For property, plant and equipment with a certain useful life it is necessary to assess at the end of each reporting period whether there is any indication that an asset may be impaired or whether impairments of prior periods have to be reversed. If such an indication exists, the entity shall estimate the recoverable amount of the asset.

The recoverable amount is determined using valuation reports by external, independent valuation experts and are subject to material assumptions and estimates. The material risk exists when determining assumptions and estimates such as the discount-/capitalization rate and future cash flows from hotel operation. A minor change in these assumptions and estimates can have a material impact on the valuation of property, plant and equipment.

The respective disclosures relating to property, plant and equipment and relating judgements, assumptions and estimates are shown in Section 3.4.1.2. and 7.1. in the consolidated financial statements.

#### *Consideration in the audit*

To address this risk, we have critically assessed the assumptions and estimates made by management and the external, independent valuation experts and performed, among others, the following audit procedures with involvement of our internal property valuation experts:

- Assessment of concept and design of the underlying property valuation process
- Assessment of the competence and independence of the external valuation experts engaged by management
- Assessment of the applied methods and the mathematical accuracy as well as assessment of the plausibility of the underlying assumptions by means of comparison with market data if available.

#### *Title*

#### **Partial-Sale of hotel-portfolio**

#### *Risk*

With closing on May 31, 2017 Warimpex Finanz- und Beteiligungs AG sold the hotel-portfolio which was presented as non-current assets held for sale (disposal group) as at December 31, 2016. The profit of this transactions amounts to EUR 24,385 thousand and is included in the result of disposal of properties in the amount of EUR 26,575 thousand in the consolidated financial statements.

We have defined the effects of this transaction on the consolidated financial statements as a key audit matter as a result of its scope and complexity.

The disclosure regarding the sale are included in Section 5.1. and 5.4. in the notes to the consolidated financial statements.

#### *Consideration in the audit*

Our audit procedures included – among others – the following:

- Review of share purchase agreement and signed closing memorandum regarding the sale of investments
- Analysis of the contract regarding the elements of the transaction and their presentation in the consolidated financial statements
- Analysis of the presentation and disclosures of the sale in the consolidated financial statements

#### **Responsibilities of Management and of the Audit Committee for the Consolidated Financial Statements**

Management is responsible for the preparation of the consolidated financial statements in accordance with IFRS as adopted by the EU, and the additional requirements under Section 245a Austrian Company Code UGB for them to present a true and fair view of the assets, the financial position and the financial performance of the Group and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the EU regulation and in accordance with Austrian Standards on Auditing, which require the application of ISA, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Comments on the Management Report for the Group**

Pursuant to Austrian Generally Accepted Accounting Principles, the management report for the Group is to be audited as to whether it is consistent with the consolidated financial statements and as to whether the management report for the Group was prepared in accordance with the applicable legal regulations.

Management is responsible for the preparation of the management report for the Group in accordance with Austrian Generally Accepted Accounting Principles.

We conducted our audit in accordance with Austrian Standards on Auditing for the audit of the management report for the Group.

#### *Opinion*

In our opinion, the management report for the Group was prepared in accordance with the valid legal requirements, comprising the details in accordance with Section 243a Austrian Company Code UGB and is consistent with the consolidated financial statements.

#### *Statement*

Based on the findings during the audit of the consolidated financial statements and due to the thus obtained understanding concerning the Group and its circumstances no material misstatements in the management report for the Group came to our attention.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the management report for the Group and the auditor's report thereon. The annual report is estimated to be provided to us after the date of the auditor's report. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, as soon as it is available, and, in doing so, to consider whether – based on our knowledge obtained in the audit – the other information is materially inconsistent with the consolidated financial statements or otherwise appears to be materially misstated.

#### **Additional information in accordance with article 10 EU regulation**

We were elected as auditor by the ordinary general meeting at June 14, 2017. We were appointed by the Supervisory Board on October 3, 2017. We are auditors without cease since 2007.

We confirm that the audit opinion in the Section „Report on the consolidated financial statements“ is consistent with the additional report to the audit committee referred to in article 11 of the EU regulation.

We declare that no prohibited non-audit services (article 5 par. 1 of the EU regulation) were provided by us and that we remained independent of the audited company in conducting the audit.

#### **Responsible Austrian Certified Public Accountant**

The engagement partner is Alexander Wlasto, Certified Public Accountant.

Vienna, April 25, 2018

ERNST & YOUNG

WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT M.B.H.

**Mag. Alexander Wlasto m.p.**   **Mag. (FH) Isabelle Vollmer m.p.**  
Certified Public Accountant   Certified Public Accountant





**Dvořák Hotel\*\*\*\***  
Karlovy Vary, CZ

# Supervisory Board Report

## Fundamental aspects

The Management Board informed the Supervisory Board of Warimpex Finanz- und Beteiligungs Aktiengesellschaft verbally and in writing of all significant business activities, the development of business, and the Company's economic situation at regular meetings during the 2017 financial year and fulfilled all of the duties and control functions required of it by law, the articles of association of the Company, and the terms of reference of the Supervisory Board. In particular, we supervised the Management Board in the direction of the Company and convinced ourselves that the operations of the Company were managed properly. The Chairman of the Supervisory Board also maintained regular contact with the Chairman of the Management Board and his deputy, in particular to discuss strategy issues, the development of business, and risk management. One of the key topics at the Supervisory Board meetings was comprehensive, timely reports on the economic and structural changes in Russia and Central and Eastern Europe and the associated opportunities and risks. The development of sales and earnings, liquidity forecasts, and the Company's financial position were also regularly discussed at these meetings.

The Company is committed to compliance with the Austrian Code of Corporate Governance as well as the Polish Best Practice for GPW Listed Companies 2016. The Supervisory Board faithfully fulfilled the duties and responsibilities laid down in these codes and also monitored the Company's compliance with these rules. The articles of association and the terms of reference of the Management Board and Supervisory Board are amended as needed to account for changes. Deviations from individual corporate governance rules relate to the Company's structure and/or to Polish rules that are not complied with due to the Company's primary orientation towards the relevant Austrian regulations. In line with the provisions of the 2007 Issuer Compliance Ordinance as amended, the Compliance Officer's annual report for the 2016 financial year was submitted to the Supervisory Board and discussed in 2017. Due to the repeal of the Issuer Compliance Ordinance as of the end of 2017, the obligation to prepare a corresponding annual report and submit it to the Supervisory Board was eliminated. Despite this, the Compliance Officer continues to report on compliance-relevant matters, albeit not in the form of an annual report.

Five Supervisory Board meetings were held in financial year 2017. All members of the Supervisory Board fulfilled the minimum attendance requirements. In addition, two motions were adopted by way of circular resolution relating to the sale of eight hotels in February 2017 and to the issue of bonds in May 2017. A meeting of the Project Committee was also held in relation to the sale of eight hotels in February 2017. The

circular resolutions that were adopted were again discussed in detail at subsequent Supervisory Board meetings.

## Committees

The Supervisory Board has set up three permanent committees: the Audit Committee, the Project Committee, and the Personnel Committee. A separate strategy committee has not been formed because all such issues are handled by the Supervisory Board as a whole. The members of the committees are appointed for the duration of their tenure on the Supervisory Board. Each committee elects a chairman and a deputy chairman from among its members.

### Audit Committee

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

Two Audit Committee meetings were held in financial year 2017.

### Project Committee

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

Two resolutions relating to the purchase of the non-controlling interests in the multi-use building at AIRPORTCITY St. Petersburg were adopted in the financial year.



### Personnel Committee

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

### Resignation of Management Board member Georg Folian and appointment of Daniel Folian as Management Board member

The Deputy Chairman of the Management Board, Georg Folian, resigned from the Company's Management Board of his own volition effective 31 December 2017. The Personnel Committee of the Supervisory Board accepted his resignation and informed the full Supervisory Board. In addition, the Personnel Committee nominated Daniel Folian as a member of the Management Board and the new CFO of Warimpex effective 1 January 2018. The full Supervisory Board unanimously approved the proposal.

The Management Board is now made up of Franz Jurkowitsch (Chairman of the Management Board), Daniel Folian, Florian Petrowsky, and Alexander Jurkowitsch. Florian Petrowsky took over the Human Resources division from Georg Folian. Franz Jurkowitsch handed over the Investor Relations activities to Daniel Folian.

### Sale of eight hotels

Warimpex announced the sale of part of its hotel portfolio to the Thai investor U City Public Company Limited (U City) on 23 February 2017. The sale closed on 31 May 2017. The transaction covered eight hotel holdings, which account for around 50 per cent of the total real estate assets of Warimpex and represent a property value of roughly EUR 180 million (excluding the holdings of UBM in this portfolio). The Supervisory Board extensively discussed this transaction as proposed by the Management Board and adopted the corresponding approval resolution.

### Strategy following the partial sale of the hotel portfolio

A strategy meeting was held during the Supervisory Board meeting in September 2017. The topics of the meeting were the core statements about the business model and the geographic focuses, with the overall goal of achieving a balance between stable revenues from a property portfolio and value increases due to development projects as well as project sales. One particular point of emphasis is to maintain a balance sheet structure with an equity ratio that is suited to the future requirements.

### Annual financial statements for 2017

The annual financial statements, the management report, the consolidated financial statements, and the group management report for the year ended 31 December 2017 were audited by Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. The final result of this audit revealed no grounds for objection and the legal provisions were fully complied with, so that unqualified auditor's reports were issued.

The annual financial statements, the management report, the proposal for the appropriation of profits, the consolidated financial statements including the group management report, the corporate governance report, and the consolidated non-financial report were reviewed by the Audit Committee at its meeting on 23 April 2018 in the presence of and after an oral report by the auditor, and their acceptance was proposed to the Supervisory Board. The Supervisory Board reviewed the annual financial statements including the management report, the proposal for the appropriation of profits, the consolidated financial statements including the group management report, the corporate governance report, and the non-financial report prepared by the Management Board and approved the annual financial statements. The Audit Committee also proposed to the Supervisory Board that Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H. be appointed as the financial auditor for the Company and the Group for the financial year ending on 31 December 2018.

The Supervisory Board thanks the Management Board, the Company's managers, and all employees of Warimpex Group for their commitment during the financial year and wishes the Company continued success in the future. The Supervisory Board would like to express its sincere thanks to Mr Georg Folian for his many years of commitment and is pleased that he will remain on board as a core shareholder of the Company from 2018 onward.

Vienna, April 2018

**Günter Korp**  
Chairman of the Supervisory Board

## *Declaration by the Management Board*

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the Group as required by the applicable accounting standards and that the

group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces.

Vienna, 25 April 2018



**Franz Jurkowitsch**  
*Chairman of the Management Board*

Responsibilities:  
Strategy and corporate communication



**Daniel Folian**  
*Deputy Chairman of the Management Board*

Responsibilities:  
Finances and accounting,  
financial management, and investor relations



**Alexander Jurkowitsch**  
*Member of the Management Board*

Responsibilities:  
Planning, construction,  
information management, and IT



**Florian Petrowsky**  
*Member of the Management Board*

Responsibilities:  
Transaction management, organisation,  
human resources, and legal issues



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**Crowne Plaza \*\*\*\***  
**AIRPORTCITY**  
St. Petersburg, RU

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**Magic Circus\*\*\*\***  
Paris, FR



# Financial Calendar

2018

**26 April 2018**

*Publication of the Annual Report for 2017*

**30 May 2018**

*Publication of the results for the first quarter of 2018*

**4 June 2018**

*Verification deadline*

**14 June 2018**

*Annual General Meeting*

**20 June 2018**

*Ex-dividend date*

**21 June 2018**

*Dividend record date*

**22 June 2018**

*Dividend payment date*

**30 August 2018**

*Publication of the results for the first half of 2018*

**30 November 2018**

*Publication of the results for the first three quarters of 2018*

**PUBLICATION DETAILS:**

Warimpex Finanz- und Beteiligungs AG  
Floridsdorfer Hauptstraße 1, A-1210 Vienna  
[www.warimpex.com](http://www.warimpex.com)

Investor Relations: **Daniel Follan** Tel. +43 1 310 55 00-156, [investor.relations@warimpex.com](mailto:investor.relations@warimpex.com)

Photos: Warimpex

We have compiled this report and checked the data with the greatest possible care. Nonetheless, rounding, typographical, or printing errors cannot be ruled out. The summation of rounded amounts and percentages may result in rounding differences. Statements referring to people are intended to be gender-neutral. This report was prepared in German, English, and Polish. In cases of doubt, the German version is authoritative.



warimpex

