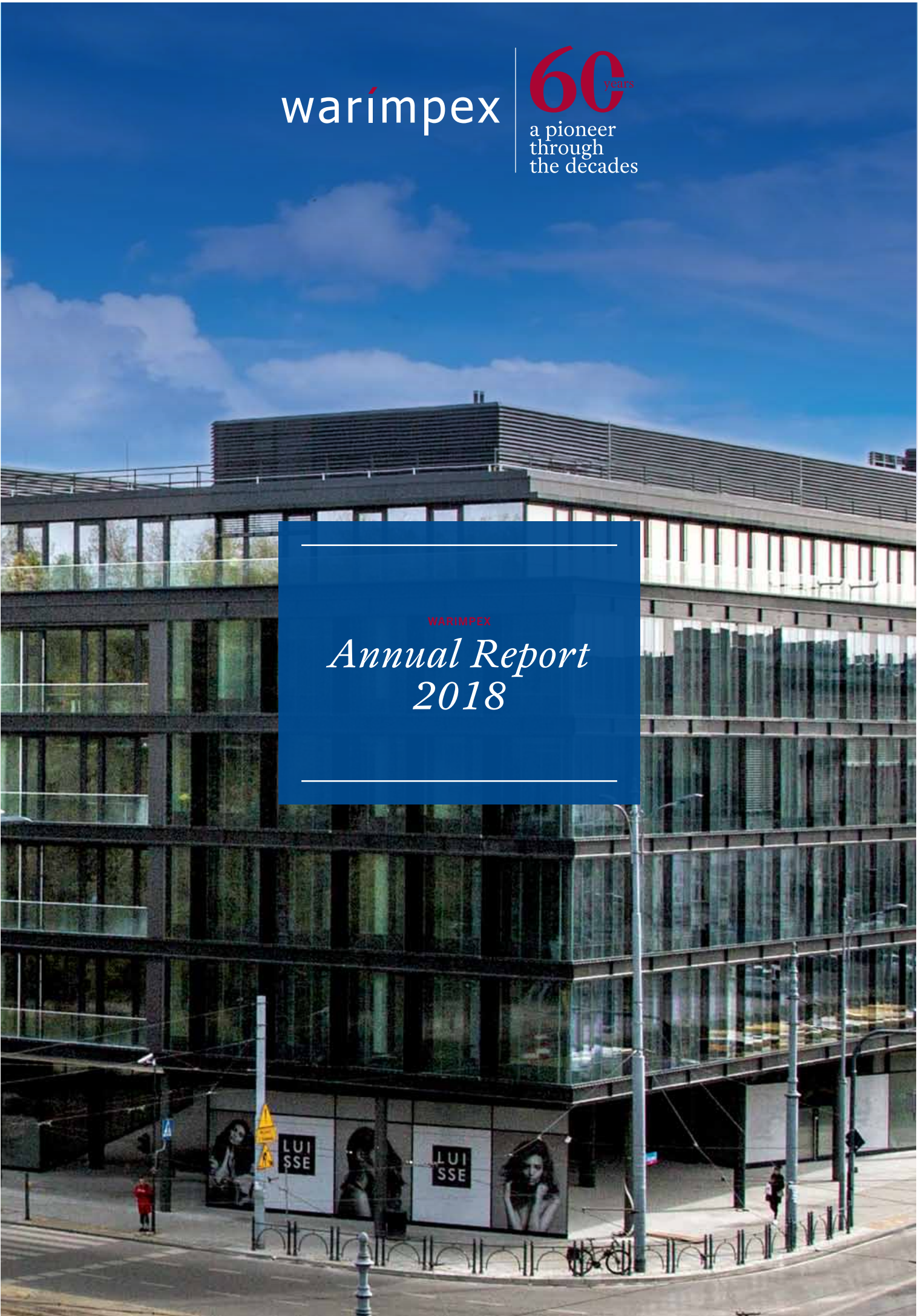


warimpex

60 years  
a pioneer  
through  
the decades

WARIMPEX  
*Annual Report*  
2018



## WARIMPEX GROUP

## Key Figures

in EUR '000	2018	Change	2017
Hotels revenues	12,420	-55%	27,509
Investment Properties revenues	15,482	17%	13,190
Development and Services revenues	1,265	-24%	1,668
<i>Total revenues</i>	<i>29,168</i>	<i>-31%</i>	<i>42,367</i>
Expenses directly attributable to revenues	-12,226	-44%	-21,955
<i>Gross income from revenues</i>	<i>16,942</i>	<i>-17%</i>	<i>20,412</i>
Gains or losses from the disposal of properties	–	–	26,575
EBITDA	4,337	-87%	33,605
Depreciation, amortisation, and remeasurement	15,489	-27%	21,098
EBIT	19,826	-64%	54,704
Earnings from joint ventures	699	-73%	2,590
Profit or loss for the period (annual result)	1,927	-95%	40,496
Profit or loss for the period (shareholders of the parent)	5,890	-85%	40,542
Net cash flow from operating activities	3,289	-73%	12,002
Equity and liabilities	292,012	10%	265,254
Equity	90,147	8%	83,481
Share capital	54,000	–	54,000
Equity ratio	31%	-1 pp	32%
Average number of shares in the financial year	54,000,000	–	54,000,000
Earnings per share in EUR	0,11	-85%	0,75
Number of shares on 31 December	54,000,000	–	54,000,000
Number of treasury shares on 31 December	227,480	–	66,500
Number of hotels	6	–	6
Number of rooms (adjusted for proportionate share of ownership)	892	–	892
Number of office and commercial properties	8	2	6
Lettable office space (adjusted for proportionate share of ownership)	73,300 m <sup>2</sup>	83%	40,100 m <sup>2</sup>
<b>Segment information (including joint ventures on a proportionate basis):</b>			
Hotels revenues	44,628	-24%	58,864
Net operating profit (NOP)	10,676	-32%	15,685
NOP per available room in EUR	10,431	12%	9,317
Investment Properties revenues	19,403	12%	17,354
Investment Properties EBITDA	15,513	12%	13,862
Development and Services revenues	1,883	-32%	2,767
Gains or losses from the disposal of properties	–	–	26,575
Development and Services EBITDA	-10,168	–	18,096
Average number of employees in the Group	343	-41%	578
	<b>31/12/2018</b>	<b>Change</b>	<b>31/12/2017</b>
Gross asset value (GAV) in EUR millions	269.9	33%	202.5
Triple net asset value (NNNAV) in EUR millions	137.6	5%	131.4
NNNAV per share in EUR	2.56	5%	2.44
End-of-period share price in EUR	1.00	-30%	1.43



## WARIMPEX ANNUAL REPORT 2018

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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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12



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

5



properties are currently under development in Krakow, Darmstadt, and St. Petersburg.

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.

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

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 2018, 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 eight commercial and office buildings with a total floor area of some 93,000 square metres (roughly 73,000 square metres when adjusted for the proportionate share of ownership) in Poland, the Czech Republic, Russia, Hungary, France, and Austria.

# Highlights

2018

## Operational highlights

### 5/2018

Warimpex sells development property on Üllői ut in Budapest

### 5/2018

Warimpex acquires B52 office building (5,200 square metres) in Budapest

### 9/2018

Warimpex places seven-year bond

### 10/2018

Warimpex opens Ogródowa office building (28,000 square metres) in Łódź

### 11/2018

Topping out ceremony for Mogilska 43 office building (12,000 square metres) in Krakow

## Financial highlights

- Revenue of EUR 29.2 million
- Gross income from revenues of EUR 16.9 million
- EBITDA of EUR 4.3 million
- Depreciation, amortisation, and remeasurement of EUR 15.5 million
- EBIT of EUR 19.8 million
- Profit for the financial year of EUR 1.9 million
- Property assets of EUR 269.9 million (up 33 per cent)
- Triple net asset value (NNNAV) per share of EUR 2.56 (up 5 per cent)



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*Franz  
Furkowitsch*

CHAIRMAN OF THE  
MANAGEMENT BOARD

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## FOREWORD BY THE CHAIRMAN OF THE MANAGEMENT BOARD

*Dear Shareholders,*

The 2018 financial year was a transition year for Warimpex following the successful sale of eight hotel holdings in 2017. Our goal during the reporting period was to rapidly build up the property portfolio again and to strengthen our earning potential – and this will continue to be our objective in 2019. This will be accomplished by quickly completing ongoing developments, pushing ahead with new development projects, and acquiring cash-flow generating assets with potential for the future.

We took an important step along this path in September – after buying back all of the convertible bonds and redeeming the majority of the outstanding bonds, we took advantage of the prevailing low interest rate levels to optimise our financing structure at the holding level and successfully placed a seven-year bond. This solid financial basis allows us to act quickly and flexibly when attractive investment opportunities present themselves. In this context, we secured a hotel property (with around 300 rooms) along with property reserves in Darmstadt at the end of 2018, and the transaction closed in April 2019.

**Company performance in 2018**

Naturally, the sale of part of our portfolio and the lower number of rooms led to a decline in revenues in the Hotels segment in the 2018 financial year. Despite a solid performance by the remaining hotels, hotel revenues fell from EUR 27.5 million to EUR 12.4 million. By contrast, revenues from the rental of office properties rose from EUR 13.2 million to EUR 15.5 million, largely due to the completion of the fully occupied Bykovskaya multi-use building at AIRPORTCITY St. Petersburg at the end of May 2017 and the acquisition of two office buildings that are also fully occupied – Mogilska 41 in Krakow in December 2017 and B52 in Budapest in May 2018. In addition, the Ogrodowa office building in Łódź, which opened in October, already contributed to revenues in the fourth quarter. Overall, consolidated revenues declined from EUR 42.4 million to EUR 29.2 million.

Due to the high disposal result in the prior year and the lower earnings contribution from hotel revenues because of the partial portfolio sale, EBITDA fell from EUR 33.6 million to EUR 4.4 million. EBIT dropped from EUR 54.7 million to EUR 19.8 million, primarily due to the elimination of gains on the sale of properties. The financial result including joint ventures went from minus EUR 11.7 million to minus EUR 14.9 million, in part because of the negative impact of non-cash exchange rate losses in the amount of EUR 11.5 million. This results in a profit of EUR 1.9 million for the 2018 financial year (2017: EUR 40.5 million).

**Development projects in Poland and Russia**

At the beginning of October, we opened the Ogrodowa office building in the Polish city of Łódź. The building is an ultra-modern office property offering a total of 28,000 square metres of space, located directly in the city centre. It had an occupancy rate of roughly 60 per cent at the end of the year, and

negotiations are currently under way with prospective tenants for the remaining space. In addition, the topping-out ceremony for the Mogilska 43 office building in Krakow was celebrated at the beginning of November. The state-of-the-art office building offers a total net floor space of 12,000 square metres spread out over nine storeys. Thus far, 60 per cent of the office space has been let out and was handed over to the tenants in mid-April 2019.

In addition, we own a plot of land next to the Chopin Hotel, where we intend to build an office building with around 21,000 square metres of space. The planning for this project is under way. We also own a development property in Białystok, where four office properties will be built in multiple phases. An office building with roughly 13,000 square metres of office space is being planned as the first step.

In Russia, we have very promising property reserves at AIRPORTCITY St. Petersburg. We plan to build two office towers offering about 20,000 square metres of office space.

**Outlook**

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

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

And last but not least, we are very excited to celebrate the Company's 60th anniversary in 2019. What began in 1959 as a trade company specialising in countertrade with CEE has since developed into an important real estate and investment company in Central and Eastern Europe. With this in mind, I want to thank all of our employees as well as our business partners and shareholders who have supported and accompanied us all these years.

**Franz Jurkowitsch**

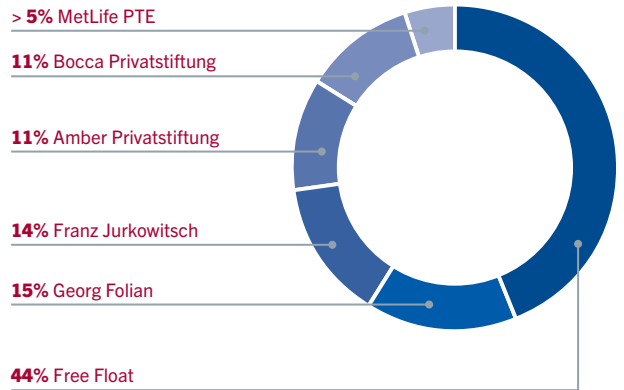
# Investor Relations

The share price was EUR 1.43 and PLN 6.00 at the beginning of the year, and it exhibited a stable trend over the first half of the year. The selling pressure on the share increased starting at the beginning of August 2018 and accelerated up until the end of the year. The closing price at 29 December 2018 was EUR 1.00 and PLN 4.40.

Since our IPO, we have maintained an open and proactive communication policy with our investors. Warimpex participated in investor conferences in Geneva, Zürs, Zurich, Warsaw, Paris, Frankfurt, Copenhagen, Luxembourg, and London in 2018.

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

## SHAREHOLDER STRUCTURE AS AT 10 APRIL 2019



## SHARE PRICE PERFORMANCE





## KEY SHARE DATA

<b>ISIN</b>	AT0000827209
<b>Number of shares on 31/12/2018</b>	54,000,000
<b>Ticker symbols</b>	Stock Exchanges WXF Reuters WXFB.VI
<b>High*</b>	EUR 1.63   PLN 6.82
<b>Low*</b>	EUR 1.00   PLN 4.40
<b>Price at 28/12/2018</b>	EUR 1.00   PLN 4.40
* 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 33,000 shares in Warsaw around 700 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 2018

The Austrian Code of Corporate Governance (as amended in January 2018 and which was applied for financial year 2018, [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.
- The remuneration of the Management Board is made up of fixed and variable components. The amount of the variable remuneration is not linked to any non-financial criteria as defined in Rule 27 and Rule 27a. This is intended to ensure objectivity and transparency. There is no limit on the amount of the variable remuneration. For further disclosures and information regarding the remuneration paid to the individual Supervisory Board members and the individual members of the Management Board, please consult sections 9.3.2.5. and 9.3.2.6. in the notes to the consolidated financial statements.
- 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.
- The financial auditor does not assess the effectiveness of the Company's risk management system in accordance with Rule 83 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***Daniel Folian**

Deputy Chairman

Year of birth: 1980

First appointed: 1 January 2018

Appointed until 31 December 2022

Responsibilities:

finances and accounting,  
investor relations,  
and financial management**Alexander Jurkowitsch**

Member of the Management Board

Year of birth: 1973

First appointed: 31 July 2006

Appointed until 31 March 2024

Responsibilities:

planning, construction, IT,  
and information management



warimpex

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**Franz Jurkowitsch**

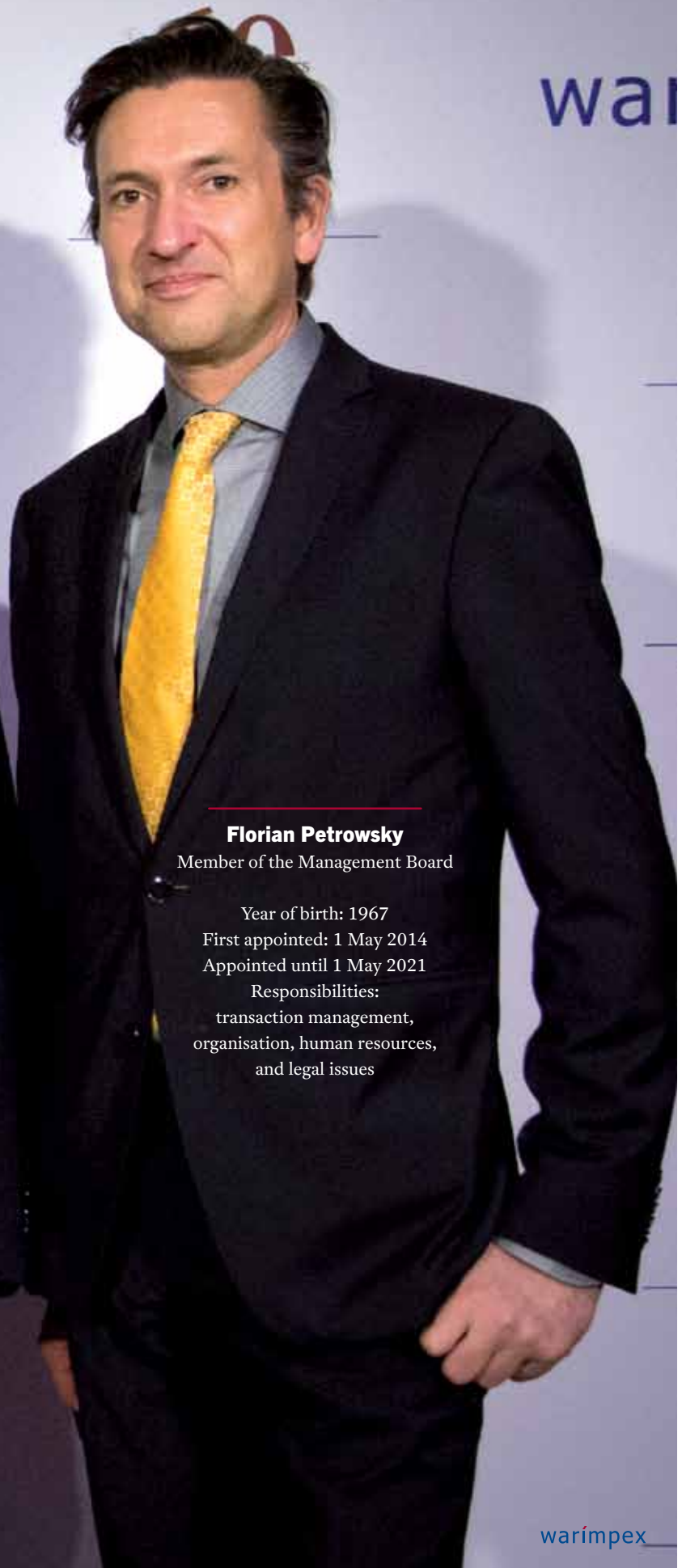
Chairman of the Management Board

Year of birth: 1948

First appointed: 2 September 1986

Appointed until 31 December 2022

Responsibilities:  
strategy and corporate  
communications



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**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

## 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)  
 Honorary 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)



### Hubert Staszewski

Member of the Supervisory Board  
 Year of birth: 1972  
 First appointed: 8 June 2016  
 Current period of office ends in 2022 (37<sup>th</sup> AGM)  
 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.



## 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

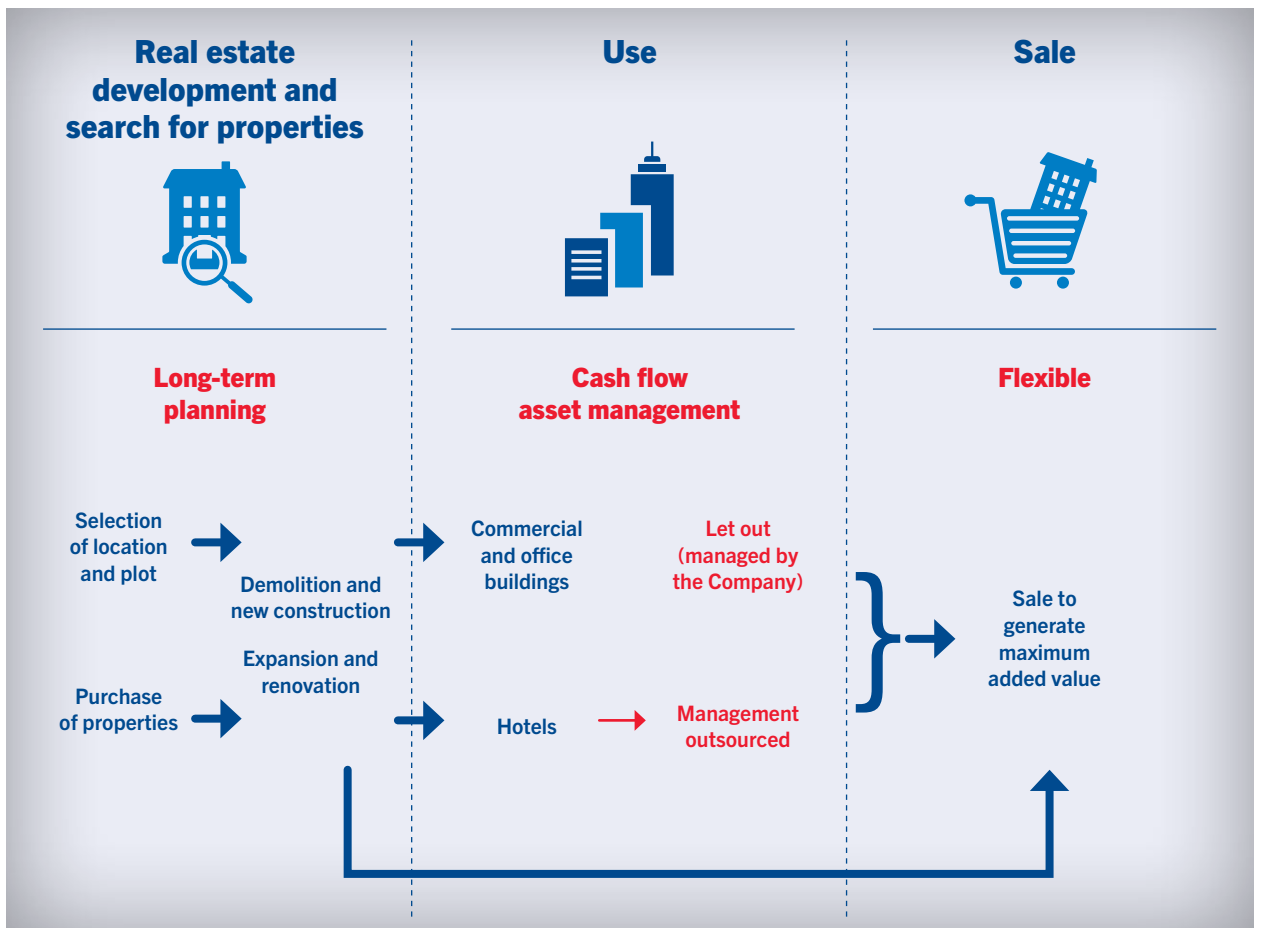
**Dvořák Hotel\*\*\*\***  
Karlovy Vary, CZ

**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.

Warimpex plans to retool its orientation with regard to sustainability in its real estate development projects. To this end, a project aimed at developing a sustainability strategy will be launched in 2019. Along with internal strategic requirements for renovation projects and new construction projects in the hotel and office segments, sustainability standards will be defined for Warimpex’s properties. Requirements from tenants and investors as well as criteria for sustainability certifications such as the BRE Environmental Assessment Method (BREEAM) or Leadership in Energy and Environmental Design (LEED) will be taken into account. These certifications will become a unique selling point that is indicative of high sustainability standards for the Warimpex Group’s properties.

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 factored into long-term investments today. Warimpex is aware of its deep responsibility in this context and does not see properties merely as economic goods, but also takes the ecological and social aspects into account in every stage of the planning. 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.

## Materiality and stakeholders

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.

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.

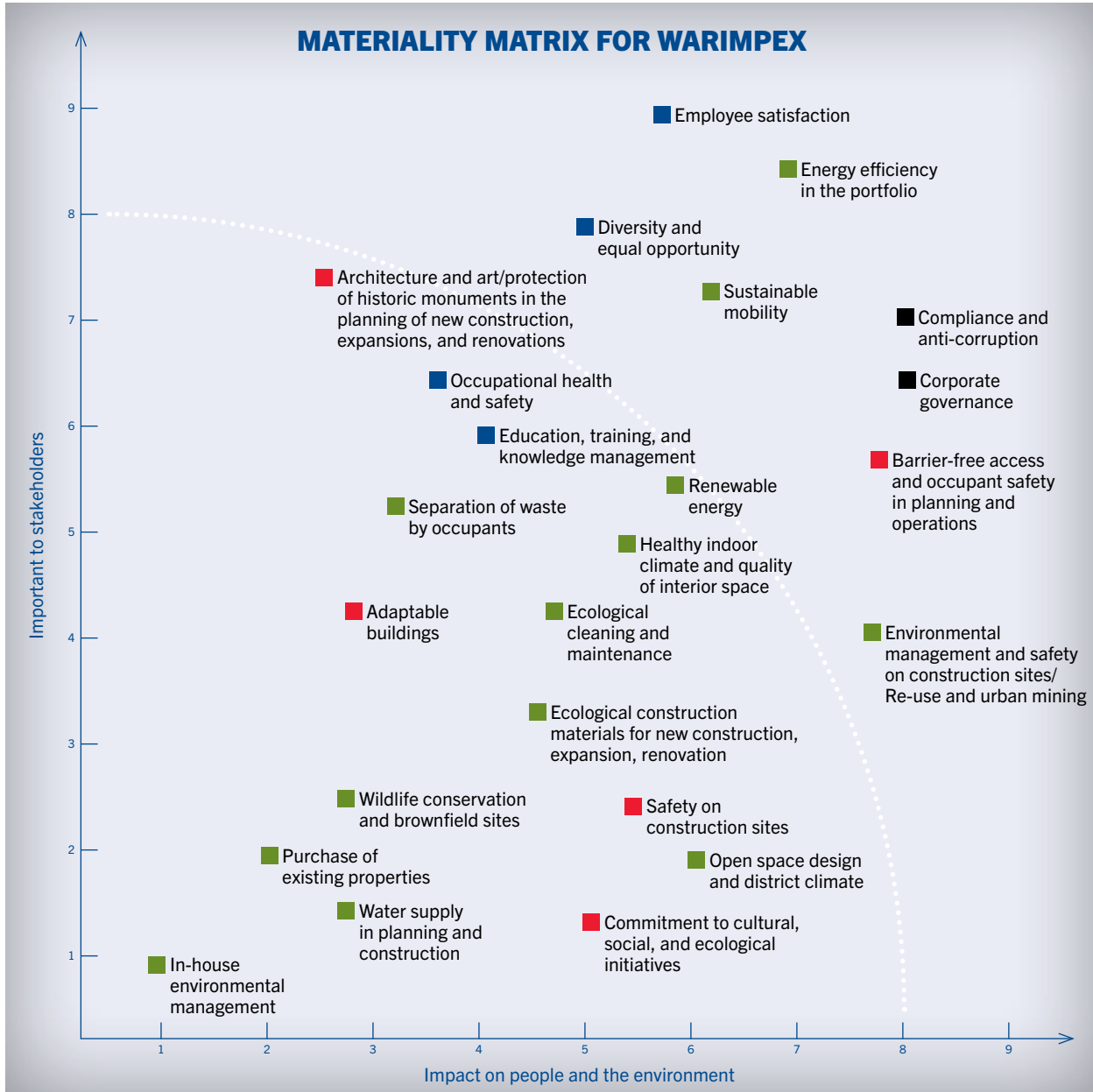
## Process description and strategic integration

A comprehensive materiality analysis forms the basis for the reporting. The potential material topics for the 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 Jurkowitzsch, 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 2018, 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 eight commercial and office buildings with a total floor area of some 93,000 square metres (roughly 73,000



square metres when adjusted for the proportionate share of ownership) in Poland, the Czech Republic, Russia, Hungary, France, and Austria.

In 2018, Warimpex added two commercial and office buildings to its property portfolio: the newly acquired B52 office building in Budapest and the Ogródowa office building in Łódź, which the Company developed itself.

Only properties that have been in the portfolio for at least 12 months are included in the indicators for the non-financial report.

## 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. 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. In 2018, the newly opened Ogródowa office building in Łódź received a BREEAM – Very Good certification. The Company intends to obtain a BREEAM – Very Good rating for the Mogilska 43 office project that is currently under construction in Krakow and a BREEAM – In Use rating for the recently acquired B52 office building in Budapest. In general, the Company plans to secure certifications for all new developments, with one example being LEED Gold certification for a new project at AIRPORTCITY in St. Petersburg. Although Warimpex's portfolio does not contain any certified hotel properties at this time, the Company nevertheless attaches considerable importance to high environmental standards for existing and future hotels.

When it comes to new projects, the Company plans to maximise the environmental, social, and economic benefits. For Warimpex, this means that properties retain their value or increase in value over the long term while at the same time offering ecological and social benefits. In this context, measures will also be taken to prevent environmental damage. These principles will be followed not only for new construction projects but also for renovations. The Company is working on a control model for internal project controlling aimed at reviewing projects with regard to energy efficiency, flexible floor plans, accessibility, and mobility.

### 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.

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 with occupants, such as through notices at the property.

One 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 2018

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

The indicators were collected for the first time in 2017 and thus form the basis for the ongoing 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 that were under way in Poland in 2018: A green wall is being built at the Mogilska 43 project in Krakow, and a green

roof was implemented for the Ogradowa project in Łódź, which has now been completed. 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.

The Company ensures the energy-efficient operation of its own hotels by planning the occupancy of the rooms so that vacant

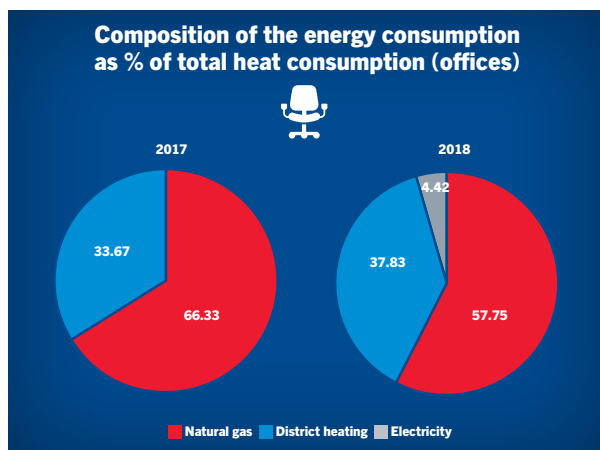
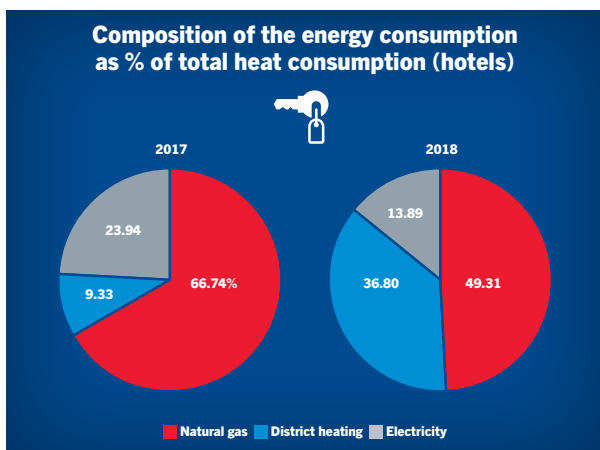
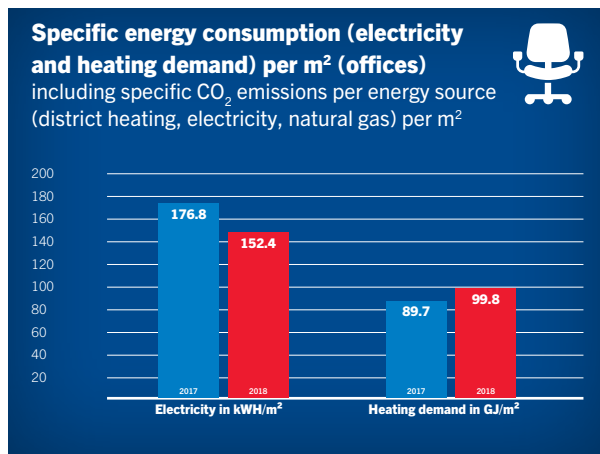
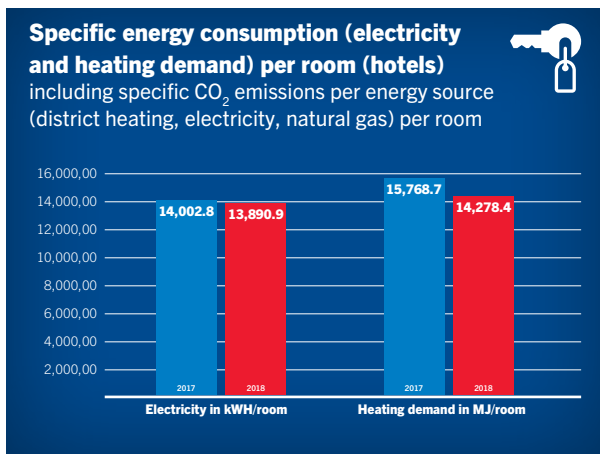
rooms or floors do not have to be fully heated. In this way, care is taken in the initial planning of the projects to ensure that hotel areas can be supplied with energy individually, which can make a major contribution to reducing heating demand.

The Dvořák hotel in Karlovy Vary offers another unique feature when it comes to the heating of the building. 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.

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 optimal communication with all stakeholders. One notable 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 professional 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 in the Company's construction activities, 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. Warimpex has set a clear goal to continue to avoid 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 contributes to the waste of resources and thus represents a risk to the environment. This risk is minimised by ensuring the optimal continued use of existing buildings in 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 2018.

A total of 1,305 tonnes of waste were accumulated at the construction sites in Poland. The figures for the site in Krakow are provided as an example:

<b>Mogilska 43 office building in Krakow</b>	in tonnes
Cardboard	4.41
Other/Recycling	100.74
Concrete	96.64
Plastic	3.80
Landfill/Incineration	28.64
Clean wood	79.92
Ceramic waste	148.24
Mixed debris	10.96
	<b>473.35</b>

### **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 ones 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 phase – generally around three years before completion. Among Warimpex's existing properties, the Ogródowa office building currently offers EV charging stations, and EV charging stations are also planned for new projects such as Mogilska 43. 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. For example, the Ogródowa 8 project in Łódź offers 150 bike parking spaces (which corresponds to 0.5 parking spaces per 100 square metres of office space) as well as 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 users of the building (employees and customers) are an important factor for all of the projects. Hotels and office properties have to be easy to get to – both with public transport such as buses or trains as well as with cars and coaches. Public transport stations are generally located within a radius of 200 metres, and a connection to the airport must be available.

In the future, it will 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**

	2018	2017
Flights	113 t CO <sub>2</sub>	123 t CO <sub>2</sub>
Kilometres driven by car	32 t CO <sub>2</sub>	64 t CO <sub>2</sub>

*Employees of Warimpex Finanz- und Beteiligungs AG*

The volume of carbon dioxide emissions caused by travel activities in 2018 decreased compared with the prior year. The reduction was achieved in the vehicle fleet, as Warimpex’s fleet was adapted and two diesel cars were replaced with electric vehicles.

Warimpex’s employees have a high level of travel because nearly all of the Company’s 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 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 project sites 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. Warimpex acquired two electric vehicles for its electric vehicle fleet as part of a pilot project in order to study usage behaviour and gather valuable information 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 2018 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 AG since 2013 and was 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 were offered on current topics such as the new General Data Protection Regulation. Training sessions were also held on the Code of Conduct and corruption prevention as well as occupational safety. These training measures will be offered again in 2019. The various workdays of employees due to

different scheduling models and travel are taken into account when planning the dates for training 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 (e.g. 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.

Of the 420 hotel rooms owned by the Warimpex Group, 8 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 ensure an open corporate culture.

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

Therefore, Warimpex places strong emphasis on 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.

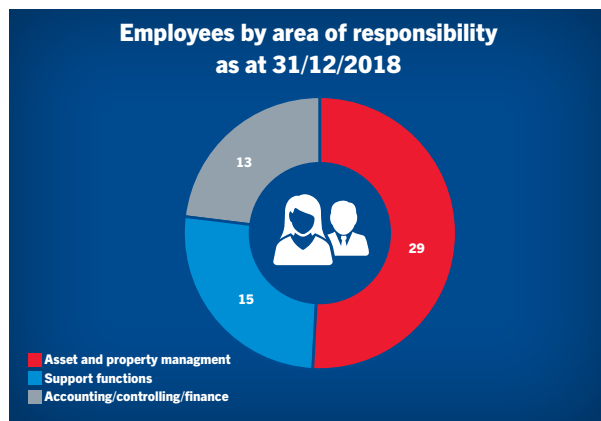
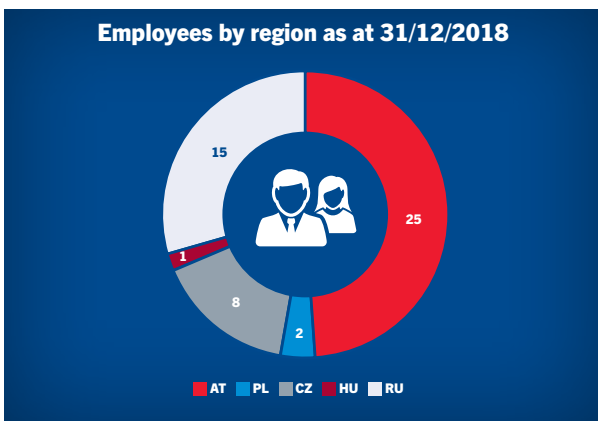
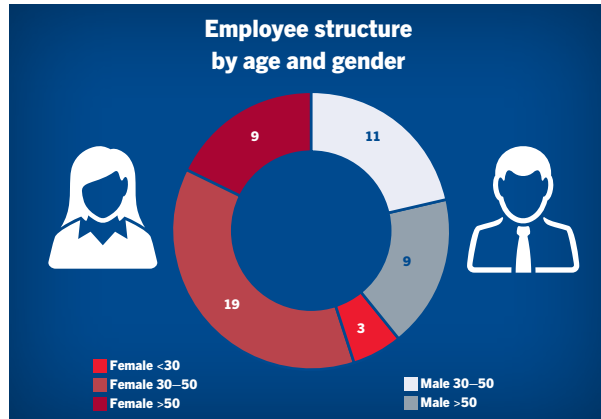
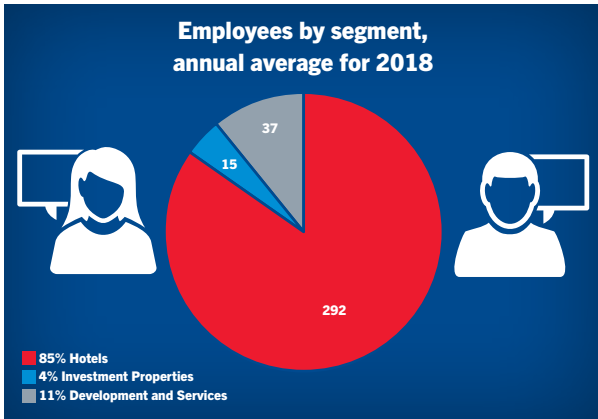
Hotels are operated by hotel management companies under management agreements. Therefore, control over personnel matters and the management of the hotel staff are the responsibility of the hotel managers and are not influenced by Warimpex. As such, the following information only pertains to Warimpex's other two segments (Investment Properties and Development and Services).

### Employees in the Group

As at 31 December 2018, 51 employees worked at the fully consolidated companies of the Warimpex Group. The following charts show the distribution of the employees according to their regional assignment and their area of responsibility. Overall, roughly 49 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’ different backgrounds is a key priority for the Company. Diversity is valued at Warimpex. This diversity applies not only to the background of employees from different cultures and countries, but can also be seen in the age structure of the staff. Employees from four countries and with various migration backgrounds work at the Group’s headquarters in Vienna. 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. On the contrary: Warimpex sees the diversity of its employees as an opportunity and utilises it accordingly. The share of women in the total workforce was just under 61 per cent as at 31 December 2018, which represents an increase of 15 per cent compared with 2017. The share of female managers rose from 3 per cent in 2017 to 32 per cent. Warimpex offers its female and male employees the same opportunities and requirements. What counts are an employee’s qualifications and experience in their field, not their nationality or gender. There are no targeted measures for the advancement of women – equality is a matter of course at Warimpex and is also reflected in the share of women in the total workforce.

The average age of the employees is roughly 42.5 years. The Warimpex Group works with an attractive mix of experienced employees and new employees.

Warimpex sees the diversity of its employees as an important factor for success.

## 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 aims to protect everyone's right to freely practise their beliefs. At hotel buildings, for example, the interior design is kept non-religious as far as possible in order to ensure the religious freedom of all users. This is reflected in the selection of the pictures in the rooms and the lack of religious symbols such as crosses.

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

Warimpex is clearly committed to protecting international human rights. The Company supports and respects the protection of human rights within its sphere of influence and ensures that it is not involved in human rights violations. We expect our suppliers and partners to comply with the legal regulations as well. Warimpex assumes 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. Suppliers and partners also 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.



**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



# Group Management Report

FOR THE FINANCIAL YEAR

FROM 1 JANUARY TO 31 DECEMBER 2018

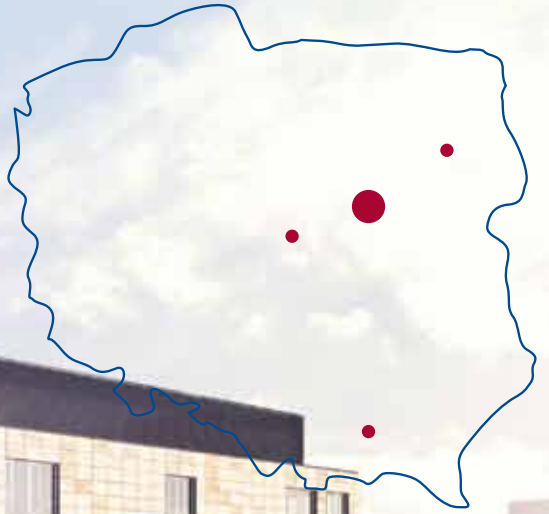
In May 2017, Warimpex sold eight hotel holdings, which accounted for around 50 per cent of the Company's total real estate assets and represented a property value of roughly EUR 180 million (excluding the holdings of UBM in this portfolio). The agreement on the final settlement of the purchase price was signed in late April 2018. The associated profit was already recognised in 2017 (see section 5.4. in the notes to the consolidated financial statements for further information).

Ogrodowa Office  
Łódź, PL



GROUP MANAGEMENT REPORT

*Markets*



**Mogilska Office**  
Krakow, PL

## MARKETS

*Poland***Economic environment**

Real GDP growth proved to be very strong in Poland in 2018. Economic growth for 2018 as a whole is estimated at 5.1 per cent (2017: 4.8 per cent), which represents the highest rate since 2007. The increase in growth can be attributed to rising investment activity, domestic demand, and, in particular, private consumption. Growth is expected to decline to the still very solid level of 3.5 per cent in 2019 and 3.2 per cent in 2020.<sup>1</sup>

The volume of real estate transactions increased to around EUR 7.2 billion in 2018 (2017: EUR 5.0 billion).<sup>2</sup> Prime yields for office properties were 4.75 per cent in Warsaw in 2018 (2017: 5.20 per cent) and roughly 6.00 per cent in secondary cities (2017: 6.15 per cent)<sup>3</sup>. Rents ranged between EUR 10.50 and EUR 15.00 per square metre in regional cities such as Krakow and Łódź.<sup>4</sup> In the hotel industry, average occupancy in Warsaw fell by around 3 percentage points to 75 per cent while the average room rate in euros dropped by 1 per cent to EUR 112.<sup>5</sup>

**Existing portfolio: 2 office properties, 1 hotel**

Warimpex has been 50 per cent leaseholder of the five-star InterContinental in Warsaw since December 2012. As part of a lease agreement, the hotel is being leased back at a fixed rate and managed under the InterContinental brand until 2034. Occupancy at the InterContinental hotel declined from 84 per cent to 80 per cent while the average room rate in euros remained constant.

In December 2017, 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. Property reserves were also acquired along with the property, and planning has started for an office building with around 12,000 square metres of space. A portion of the available land will be parcelled out for further development and used for a new office building.

The Ogródowa office building was opened in Łódź at the beginning of October 2018. The building is a state-of-the-art office property located directly in the Łódź city centre near the Manufaktura shopping centre. It is made up of two sections – one with five storeys and the other with six – and the two main lobbies can be accessed through a quiet interior passageway.

Along with its outstanding architecture, the Ogródowa office building stands out thanks to its premium quality standards, functional space solutions and state-of-the-art technological features, and a wide range of eco-friendly measures that

provide a high level of energy efficiency as well as other environmental benefits. The underground garage offers 246 parking spaces and charging stations for electric cars. In addition, there are changing rooms and showers for occupants who ride their bikes to work. Roughly 4,000 square metres of the building's 28,000 square metres of total space are available for commercial use, service facilities, and restaurants. The current tenants include Orange Polska, PwC Poland, and Harman Connected Services. Around 60 per cent of the space at the office building was occupied as at 31 December 2018.

**Under development:****2 office buildings, 1 development property**

Mogilska 43 Office was completed at the beginning of April. As of the reporting date, advance leases had been signed for roughly 60 per cent of the office space. Mogilska 43 Office is an ultra-modern, class A office building that encompasses a total of 12,000 square metres over nine floors. Large glass surfaces provide natural lighting for the offices, and the efficient climate control system ensures the optimal temperature and humidity. Green balconies and terraces can be accessed directly from the office level. The building's ground floor contains retail and service spaces, and the two-storey garage offers 204 parking spaces as well as bike racks, changing rooms, and showers. Mogilska 43 Office meets the highest environmental standards and has been awarded BREEAM certification with a "Very Good" rating.

Warimpex is also the owner of a development property next to the Chopin Hotel in Krakow, 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. Four office properties will be built in multiple phases. An office building with roughly 13,000 square metres of office space is being planned as the first step.

<sup>1</sup> European Commission – European Economic Forecast, Winter 2019

<sup>2</sup> CB Richard Ellis, Investment Market in Poland, H2 2018

<sup>3</sup> CB Richard Ellis, Investment Market in Poland, H2 2018

<sup>4</sup> CB Richard Ellis, Regional Office Market, Q3 2018

<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 2.9 per cent for the year 2018 (2017: 4.4 per cent) due to strong private consumption and robust investment activity. GDP growth is projected at 2.9 per cent for both 2019 and 2020.<sup>6</sup>

**Existing portfolio: 1 hotel**

In the Czech Republic, Warimpex operates the Vienna House Dvořák hotel in Karlovy Vary under a lease. Warimpex disposed of this operating company in late February 2019, i.e. after the reporting date.

Occupancy at the Dvořák hotel fell from 61 to 57 per cent, and the average room rate in euros increased by roughly 3 per cent.

<sup>6</sup> European Commission – European Economic Forecast, Winter 2019





## MARKETS

*Hungary***Economic environment**

Economic growth improved to approximately 4.8 per cent in 2018. GDP growth is forecast to come in at 3.4 per cent in 2019 and 2.6 per cent in 2020.<sup>7</sup>

In Budapest, average rents increased by between 5 per cent and 9 per cent year-on-year depending on the sub-market and quality to EUR 12.20 per month, prime yields declined from 6.00 per cent to 5.75 per cent<sup>8</sup>, and vacancy fell from 7.5 per cent to a record low of 7.3 per cent.<sup>9</sup>

<sup>7</sup> European Commission – European Economic Forecast, Winter 2019

<sup>8</sup> CB Richard Ellis, Budapest Office Market Snapshot, Q4 2018

<sup>9</sup> CB Richard Ellis, Budapest Investment Market Snapshot, Q4 2018

**Existing portfolio: 3 office properties**

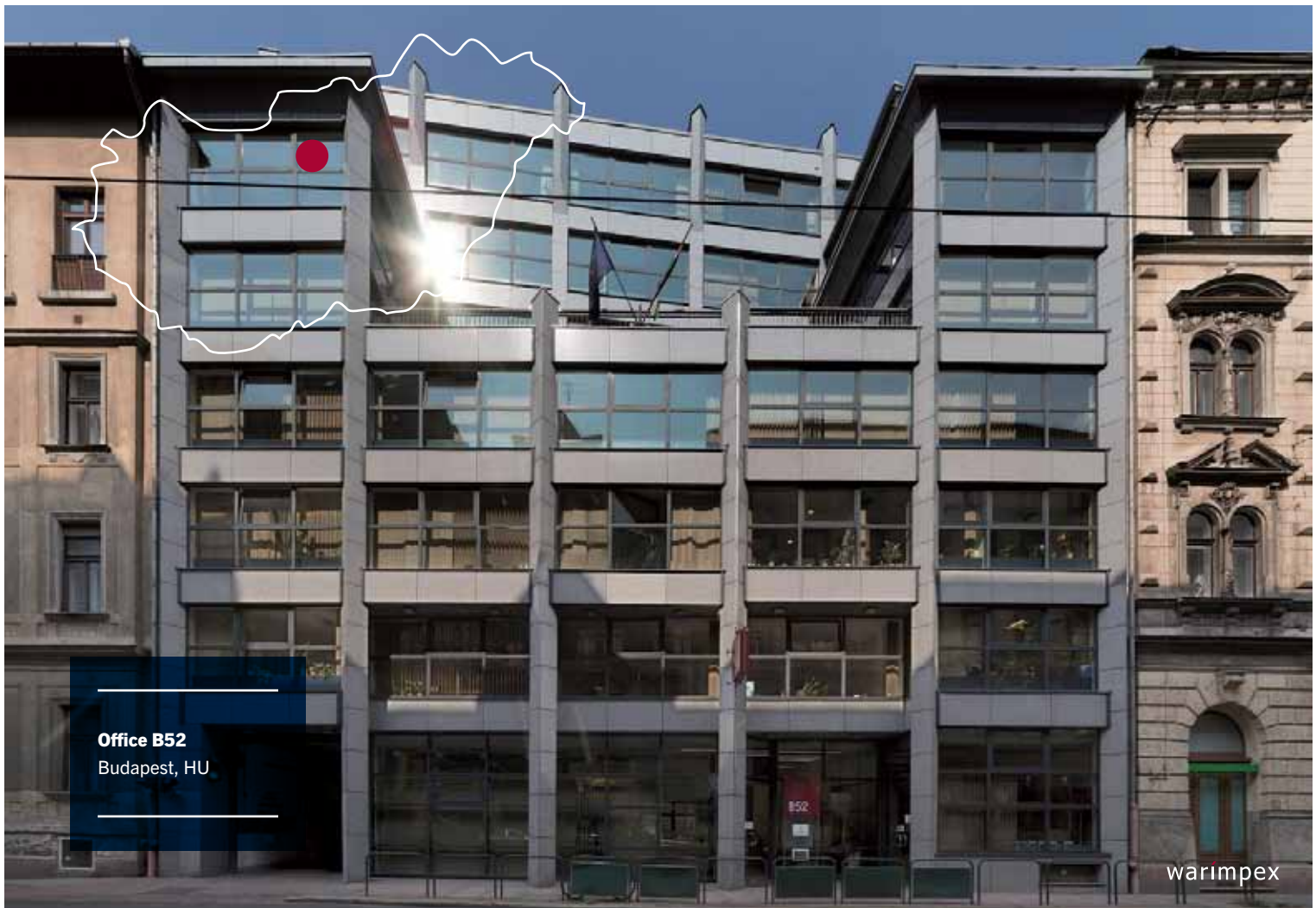
In Budapest, Warimpex owns the Erzsébet, B52, and Sajka office buildings, which together have a total net floor space of around 20,800 square metres.

The B52 office building was acquired at the end of May 2018, has a total net floor space of 5,200 square metres, and is fully occupied.

The Sajka office building with its approximately 600 square metres of lettable space is also fully let out and was sold at the beginning of 2019.

Roughly 95 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.

The property on Üllői ut in Budapest was sold in May 2018.



**Office B52**  
Budapest, HU

## MARKETS

*France***Economic environment**

Economic growth retreated from 2.2 per cent to 1.5 per cent. Growth is expected to amount to 1.3 per cent in 2019 and 1.5 per cent in 2020.<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 81 and 83 per cent (1–12 2017: 77 and 76 per cent), respectively. The average room rate increased by roughly 8 per cent at Vienna House Dream Castle and by around 2 per cent at Vienna House Magic Circus.

<sup>10</sup> European Commission – European Economic Forecast, Winter 2019



**Vienna House  
Magic Circus\*\*\*\***  
at Disneyland® Paris, F



## MARKETS

*Austria***Economic environment**

GDP growth in Austria climbed to 2.7 per cent in 2018 and is expected to slow to 1.6 per cent in 2019 and 2020.<sup>11</sup>

**Existing portfolio: 1 hotel**

In Vienna, Warimpex holds around 10 per cent of the company holding 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 2019





**AirportCity**  
St. Petersburg, RU



## MARKETS

*Russia***Economic environment**

The outlook for the Russian economy has improved slightly, and the country turned in economic growth of 1.5 per cent in 2017 and 1.7 per cent in 2018. GDP growth is expected to come in at 1.6 per cent in 2019 and 1.7 per cent in 2020.<sup>12</sup>

The volume of real estate transactions in Russia declined by 45 per cent to around USD 2.8 billion in 2018.<sup>13</sup> The peak yields for office properties in St. Petersburg ranged from 10.0 per cent to 11.0 per cent (2017: 10.0 per cent to 11.0 per cent), and average rents (including operating costs and VAT) came to roughly RUB 1,865 (around EUR 25) 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 14 per cent to EUR 98.<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 two office towers (Jupiter 1 + 2) with 16,800 square metres of lettable space were opened at the end of December 2011. AIRPORTCITY St. Petersburg is being developed by AO AVIELEN A.G. together with CA Immo and UBM and is directly next to Pulkovo 2 international airport in St. Petersburg. 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 24.2 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 76 per cent (1–12 2017: 78 per cent) while the average room rate in euros rose by about 2 per cent.

Warimpex owns a 100 per cent stake in the 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 has been fully occupied since it was completed in May 2017.

**Under development: Development properties**

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

In April 2018, Warimpex took over full ownership of a portion of this property reserve (roughly 17,000 square metres) from AO AVIELEN A.G. through a project company. The Company plans to build two office towers (Avior Towers) offering about 20,000 square metres of office space.

<sup>12</sup> World Economic Outlook Update, January 2019

<sup>13</sup> CB Richard Ellis, Russian Real Estate Investment Market, Q4 2018

<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 27.5 million to EUR 12.4 million resulted from the sale of a portfolio of eight hotel operations in May 2017.

Revenues from the rental of office properties (Investment Properties revenues) rose from EUR 13.2 million to EUR 15.5 million, largely due to the completion of the fully occupied Bykovskaya multi-use building at the end of May 2017 and the acquisition of two other fully occupied office buildings in Krakow and Budapest. The Mogilska 41 office building in Krakow was purchased in December 2017 and the B52 office building in Budapest in May 2018. The Ogrodowa office building was opened in Łódź at the beginning of October 2018.

Total revenues fell by 31 per cent to EUR 29.2 million. Roughly 43 per cent (2017: 65 per cent) of the revenues were generated by hotel operations, some 53 per cent (2017: 31 per cent) by the letting of office properties, and roughly 4 per cent (2017: 4 per cent) by the Development and Services segment.

Expenses directly attributable to revenues fell from EUR 22.0 million to EUR 12.2 million – also due to the disposal of hotel operations.

## Earnings situation

### Gains or losses from the disposal of properties

During the reporting period, Warimpex sold a reserve property located in Budapest for EUR 5.4 million. The property had already been valued at the sale price, so no sale proceeds were recognised during the reporting period.

During the comparison reporting period, 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.

### EBITDA

Earnings before interest, taxes, depreciation and amortisation, and gains/losses on the remeasurement of investment properties (EBITDA) decreased from EUR 33.6 million to EUR 4.3 million, primarily due to the high disposal result in the prior year and a lower profit contribution from hotels because of the sale of the portfolio in the prior year.

### Depreciation, amortisation, and remeasurement

Depreciation, amortisation, and remeasurement fell from EUR 21.1 million to EUR 15.5 million. The remeasurement

result from the office assets (investment properties) came to EUR 16.0 million (2017: EUR 16.2 million). A major contribution came from the completion of the Ogrodowa office building in Łódź.

### EBIT

EBIT declined from EUR 54.7 million to EUR 19.8 million due to the elimination of gains on the sale of properties.

### Financial result

The financial result (including earnings from joint ventures and associates) went from minus EUR 11.7 million to minus EUR 14.9 million.

Finance expenses declined significantly, going from EUR 10.5 million to EUR 7.4 million.

The financial result was negatively impacted by non-cash exchange rate losses of EUR 11.5 million (2017: exchange rate losses of EUR 7.4 million).

Earnings from joint ventures went from EUR 2.6 million to EUR 0.7 million.

### Profit or loss for the period

The profit for the period dropped from EUR 40.5 million in the previous year to EUR 1.9 million. The profit for the shareholders of the parent declined from EUR 40.5 million to EUR 5.9 million in annual comparison.

## 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	2018	2017
Revenues for the Group	44,628	58,864
Average number of hotel rooms for the Group**	1,024	1,683
GOP for the Group	14,838	21,586
NOP for the Group	10,676	15,685
NOP/available room in EUR	10,431	9,317

\* 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 1,024 during the reporting period due to the partial sale of the hotel portfolio at the end of May 2017, and revenues from hotel operations declined by 24 per cent to EUR 44.6 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 declined by 32 per cent to EUR 10.7 million; the NOP per available room rose by 12 per cent to EUR 10,431.

### Investment Properties segment\*

in EUR '000	2018	2017
Revenues for the Group	19,403	17,354
Segment EBITDA	15,513	13,862

\* Including all joint ventures on a proportionate basis

The revenues and segment EBITDA increased due to the handover of the multi-use building at AIRPORTCITY St. Petersburg in May 2017 as well as the acquisition of two fully occupied office buildings in Krakow and Budapest. The Mogilska 41 office building in Krakow was purchased in December 2017 and the B52 office building in Budapest in May 2018. The Ogródowa office building was opened in Łódź at the beginning of October 2018.

### Development and Services segment\*

in EUR '000	2018	2017
Revenues for the Group	1,883	2,767
Gains or losses from the disposal of properties	–	26,575
Segment EBITDA	-10,168	18,096

\* 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 segment EBITDA for the prior year resulted from the disposal of properties and included the sale of eight hotels.

## Assets

Consolidated Statement of Financial Position EUR '000	31/12/2018	31/12/2017	31.12.2016
<b>ASSETS</b>			
Non-current assets	265,505	223,272	174,185
Current assets	26,506	41,982	183,701
<b>Total assets</b>	<b>292,012</b>	<b>265,254</b>	<b>357,886</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	54,000	54,000	54,000
Retained earnings and reserves	56,887	56,926	16,188
<b>Equity attributable to the parent</b>	<b>110,887</b>	<b>110,926</b>	<b>70,188</b>
Non-controlling interests	-20,740	-27,445	-27,130
<b>Total equity</b>	<b>90,147</b>	<b>83,481</b>	<b>43,058</b>
Non-current liabilities	172,261	153,922	169,371
Current liabilities	29,603	27,851	145,457
<b>Total liabilities</b>	<b>201,865</b>	<b>181,773</b>	<b>314,828</b>
<b>Total equity and liabilities</b>	<b>292,012</b>	<b>265,254</b>	<b>357,886</b>

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

Warimpex sold part of its hotel portfolio in 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.

The 2018 financial year was another year of growth, as the Company's property assets and balance sheet total increased once again.



## Financial Position

Consolidated Statement of Cash Flows EUR '000	2018	2017
Cash receipts from operating activities	29,768	46,347
Cash payments for operating activities	-26,479	-34,345
<b>Net cash flows from operating activities</b>	<b>3,289</b>	<b>12,002</b>
Net cash flows from investing activities	-38,631	48,081
Net cash flows for financing activities	22,196	-41,939
<b>Cash and cash equivalents at 31 December</b>	<b>8,805</b>	<b>22,849</b>

### Cash flow from operations

The cash flow from operating activities declined by 73 per cent. For more information, see the detailed comments in section 2. Segment information in the notes.

### Net cash flows from investing activities

The cash receipts from investing activities pertain primarily to the sale of a plot of land in Budapest and a payment in connection with property sales in the prior year (2017: sale of 8 hotels). The cash payments for investments primarily pertain to construction work for the Ogródowa office building in Łódź and the Mogilska 43 office building in Krakow (2017: Bykovskaya multi-use building at AIRPORTCITY St. Petersburg and Ogródowa office building in Łódź).

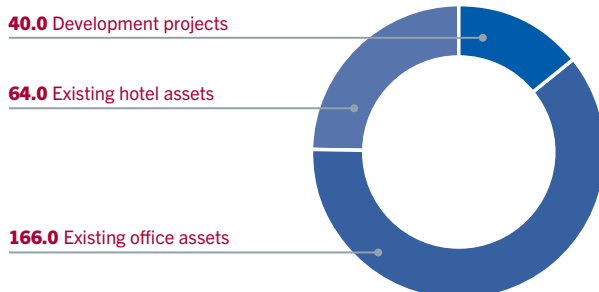
### Cash flows from financing activities

The change in the cash flows from financing activities can primarily be attributed to a higher amount of loans and borrowing in connection with construction work in Poland.

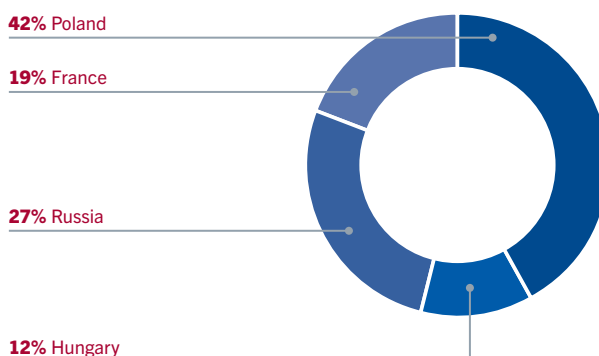
## Real Estate Assets

On 31 December 2018, 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 eight office properties with a total lettable floor area of roughly 93,200 square metres (73,300 square metres when adjusted for the proportionate share of ownership).

### PROPERTY ASSETS IN EUR MILLION



### 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 2018, the following experts appraised Warimpex's portfolio:

Appraiser	Fair values as at 31 December 2018 in EUR millions	in %
CB Richard Ellis	130	48%
Knight Frank	112	41%
PricewaterhouseCoopers	24	9%
Others or not appraised	3	1%
	<b>269</b>	<b>99%</b>
Properties measured at their preliminary selling prices	1	1%
	<b>270</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 269.9 million on 31 December 2018 (31 December 2017: EUR 202.5 million), of which EUR 62.6 million (31 December 2017: EUR 59.8 million) can be attributed to joint ventures. This increase was primarily due to progress in development projects in Poland. The Group's triple net asset value (NNNAV) rose from EUR 131.4 million as at 31 December 2017 to EUR 137.6 million as at 31 December 2018.

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

in EUR millions	12/2018		12/2017	
Equity before non-controlling interests		110.9		110.9
Deferred tax assets	-2.0		-1.9	
Deferred tax liabilities	7.9	5.9	5.6	3.7
Carrying amount of existing hotel assets	-21.0		-24.4	
Fair value of existing hotel assets	21.1	0.1	25.1	0.7
Carrying amount of development projects	-42.1		-59.7	
Fair value of development projects	42.1	–	59.7	–
Carrying amount of joint ventures	-9.3		-17.2	
Fair value of joint ventures	9.3	–	33.3	16.1
Carrying amount of disposal groups	11.2		–	
Fair value of disposal groups	31.9	20.7	–	–
<b>Triple net asset value</b>		<b>137.6</b>		<b>131.4</b>
Number of shares on 31 December		54.0		54.0
Treasury shares		-0.2		-0.1
Number of shares on 31 December		53.8		53.9
<b>NNNAV per share in EUR</b>		<b>2.56</b>		<b>2.44</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 Investment Properties segment, Warimpex is exposed to the risk that it will be unable to let out spaces, that rents will decline, and that tenants will default on their payments.

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 2018 in section 8.2.

### 1. Interest rate risk

The risk of fluctuations in market interest rates (usually the three-month EURIBOR for bank loans) 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 RUB or 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.

### 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 2018, an average of 292 (2017: 527) employees worked in the Hotels segment, 15 (2017: 15) in the Investment Properties segment, and 37 (2017: 37) in the Development and Services segment.

## *Sustainability*

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

## 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 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.

There were 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 2018

	ISIN	Outstanding amount
Bond 05/20	AT0000A1VWE0	EUR 5,500,000
Bond 09/25	AT0000A23GA4	EUR 9,000,000

The convertible bond 11/18 with a nominal value of PLN 19.5 million was redeemed in full in April 2018.

In September 2018, the bond 09/25 was floated as a private placement with a term of seven years and a nominal value of EUR 9 million.

The bond 12/18 with a nominal value of EUR 1.6 million was redeemed in full in December 2018.

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.

A buyback programme began on 26 November 2018 and is scheduled to run until the end of August 2019. The maximum volume is up to 1,000,000 shares. The acquisition price range was set at a maximum of 30% below and no more than 10% above the average unweighted closing share price on the Vienna Stock Exchange for the 10 trading days preceding the buyback.

As at 31 December 2018, a total of 160,980 shares had been purchased at an average price of EUR 1.07.

Warimpex held a total of 227,480 treasury shares as at 31 December 2018, which corresponds to 0.42 per cent of the capital stock.

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:

- Mogilska 43 office building with roughly 12,000 square metres of space, Krakow (opened in April 2019)
- Repositioning of a hotel in Darmstadt
- Chopin office building with roughly 21,000 square metres of space, Krakow (currently being planned)
- Avior Towers with roughly 20,000 square metres of space, St. Petersburg (currently being planned)
- Mogilska 41 office building with roughly 12,000 square metres of space, Krakow (currently being planned)

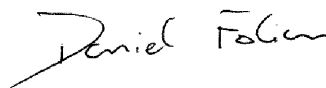
Building up our portfolio will be the focus of our activities again in 2019. On the basis of selective purchases and consistent construction progress, we are confident that we will be able to further expand our portfolio volume by the end of 2019. At the same time, we expect to see a significant increase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

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

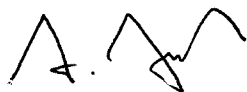
Vienna, 25 April 2019




**Franz Jurkowitsch**



**Daniel Folian**



**Alexander Jurkowitsch**



**Florian Petrowsky**

# Consolidated Financial Statements

AS OF 31 DECEMBER 2018

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**Mogilska Office**  
Krakow, PL

# Consolidated Income Statement

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

in EUR '000	Note	2018	2017
Hotels revenues		12,420	27,509
Investment Properties revenues		15,482	13,190
Development and Services revenues		1,265	1,668
<b>Revenues</b>	6.1.	<b>29,168</b>	<b>42,367</b>
Expenses from the operation of hotels		(8,660)	(18,890)
Expenses from the operation of investment properties		(2,599)	(2,415)
Expenses directly attributable to development and services		(967)	(651)
<b>Expenses directly attributable to revenues</b>	6.2.	<b>(12,226)</b>	<b>(21,955)</b>
<b>Gross income from revenues</b>		<b>16,942</b>	<b>20,412</b>
Income from the sale of properties		5,400	61,030
Disposal of carrying amounts and expenses related to sales		(5,400)	(34,455)
<b>Gains or losses from the disposal of properties</b>	5.1.	<b>–</b>	<b>26,575</b>
<b>Other operating income</b>	6.3.	<b>72</b>	<b>1,672</b>
<b>Administrative expenses</b>	6.4.	<b>(9,424)</b>	<b>(12,228)</b>
<b>Other expenses</b>	6.5.	<b>(3,253)</b>	<b>(2,825)</b>
<b>Earnings before interest, taxes, depreciation, amortisation, and remeasurement (EBITDA)</b>		<b>4,337</b>	<b>33,605</b>
Scheduled depreciation and amortisation		(912)	(895)
Impairments		(21)	–
Reversals of impairment on property, plant, and equipment		503	4,631
Gains/losses on remeasurement of assets held for sale		(69)	1,174
Gains/losses on remeasurement of investment property		15,989	16,189
<b>Depreciation, amortisation, and remeasurement</b>	6.6.	<b>15,489</b>	<b>21,098</b>
<b>Earnings before interest and taxes (EBIT)</b>		<b>19,826</b>	<b>54,704</b>
Interest revenue	6.7.	1,037	984
Other finance income	6.8.	2,343	2,618
Finance expenses	6.9.	(7,408)	(10,499)
Changes in foreign exchange rates	6.10.	(11,528)	(7,409)
Earnings from joint ventures and associates (equity method) after taxes	7.3.4.	699	2,590
<b>Financial result</b>		<b>(14,857)</b>	<b>(11,715)</b>
<b>Earnings before taxes</b>		<b>4,969</b>	<b>42,988</b>
Current income taxes	6.11.	(444)	15
Deferred income taxes	7.5.	(2,598)	(2,507)
<b>Taxes</b>		<b>(3,042)</b>	<b>(2,492)</b>
<b>Profit or loss for the period</b>		<b>1,927</b>	<b>40,496</b>
thereof profit or loss of non-controlling interests		(3,963)	(46)
<b>thereof profit or loss of shareholders of the parent</b>		<b>5,890</b>	<b>40,542</b>
Undiluted earnings per share in EUR	7.10.1.	0.11	0.75
Diluted earnings per share in EUR	7.10.1.	0.11	0.75

# Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

in EUR '000	Note	2018	2017
<b>Profit or loss for the period</b>		<b>1,927</b>	<b>40,496</b>
Foreign exchange differences		(2,283)	(521)
<i>thereof reclassified to the income statement</i>		12	(1)
Valuation of cash flow hedges		–	1,234
<i>thereof reclassified to the income statement</i>		–	1,190
Other comprehensive income from joint ventures (equity method)		(18)	26
Gains/losses from available-for-sale financial assets	7.8.	–	(748)
<i>thereof reclassified to the income statement</i>		–	(661)
(Deferred) taxes in other comprehensive income		(6)	(90)
<b>Other comprehensive income (reclassified to profit or loss in subsequent periods)</b>	7.10.3.	<b>(2,307)</b>	<b>(99)</b>
Gains/losses from financial assets measured at fair value through other comprehensive income	7.8.	109	–
Result of remeasurement result in accordance with IAS 19		(427)	26
(Deferred) taxes in other comprehensive income		(27)	–
<b>Other comprehensive income (not reclassified to profit or loss in subsequent periods)</b>	7.10.3.	<b>(345)</b>	<b>26</b>
<b>Other comprehensive income</b>		<b>(2,652)</b>	<b>(73)</b>
<b>Total comprehensive income for the period</b>		<b>(725)</b>	<b>40,423</b>
thereof profit or loss of non-controlling interests		(4,095)	(315)
<b>thereof profit or loss of shareholders of the parent</b>		<b>3,370</b>	<b>40,738</b>



# Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

in EUR '000	Note	31/12/2018	1/1/2018	31/12/2017
<b>ASSETS</b>				
Property, plant, and equipment	7.1.	26,303	29,561	29,561
Investment property	7.2.	211,747	154,763	154,763
Other intangible assets		5	10	10
Joint ventures (equity method)	7.3.	9,337	17,224	17,224
Available-for-sale financial assets	7.8.	–	–	6,146
Financial assets measured at fair value through other comprehensive income	7.8.	6,255	6,146	–
Other financial assets	7.4.	9,906	13,646	13,646
Deferred tax assets	7.5.	1,952	1,922	1,922
<b>Non-current assets</b>		<b>265,505</b>	<b>223,272</b>	<b>223,272</b>
Inventories		168	271	271
Contract assets	7.6., 7.7.	–	5,646	–
Trade and other receivables	7.7.	6,659	7,816	13,463
Cash and cash equivalents	7.9.	8,456	22,849	22,849
Non-current assets and disposal groups, held for sale	5.2.	11,223	5,400	5,400
<b>Current assets</b>		<b>26,506</b>	<b>41,982</b>	<b>41,982</b>
<b>TOTAL ASSETS</b>		<b>292,012</b>	<b>265,254</b>	<b>265,254</b>
<b>EQUITY AND LIABILITIES</b>				
Share capital	7.10.1.	54,000	54,000	54,000
Retained earnings	7.10.3.	62,171	59,435	59,194
Treasury shares	7.10.3.	(474)	(301)	(301)
Other reserves	7.10.3.	(4,810)	(2,208)	(1,967)
<b>Equity attributable to shareholders of the parent</b>		<b>110,887</b>	<b>110,926</b>	<b>110,926</b>
Non-controlling interests		(20,740)	(27,445)	(27,445)
<b>Equity</b>		<b>90,147</b>	<b>83,481</b>	<b>83,481</b>
Other bonds	7.11.2.	14,493	5,357	5,357
Other financial liabilities	7.11.3.	135,019	121,560	121,560
Derivative financial instruments	7.12.	–	929	929
Other liabilities	7.13.	9,071	14,931	14,931
Provisions	7.14.	3,156	2,357	2,357
Deferred tax liabilities	7.5.	7,900	5,572	5,572
Deferred income	7.15.	2,622	3,215	3,215
<b>Non-current liabilities</b>		<b>172,261</b>	<b>153,922</b>	<b>153,922</b>
Convertible bonds	7.11.1.	–	4,543	4,543
Other bonds	7.11.2.	76	1,603	1,603
Other financial liabilities	7.11.3.	9,761	6,784	6,784
Trade and other payables	7.16.	17,815	12,475	12,475
Provisions	7.14.	950	1,884	1,884
Income tax liabilities	6.11.	184	365	365
Deferred income	7.15.	166	197	197
Liabilities directly related to the disposal groups	5.2.	651	–	–
<b>Current liabilities</b>		<b>29,603</b>	<b>27,851</b>	<b>27,851</b>
<b>Liabilities</b>		<b>201,865</b>	<b>181,773</b>	<b>181,773</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>292,012</b>	<b>265,254</b>	<b>265,254</b>

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

in EUR '000	Note	2018	2017
<b>Cash receipts</b>			
from hotel operations and letting		28,937	44,643
from real estate development projects and other		199	683
from interest income		632	1,022
<b>Cash receipts from operating activities</b>		<b>29,768</b>	<b>46,347</b>
<b>Cash payments</b>			
for real estate development projects		(309)	(285)
for materials and services received		(6,688)	(10,877)
for related personnel expenses		(10,470)	(15,449)
for other administrative expenses		(8,383)	(7,224)
for income taxes		(630)	(510)
<b>Cash payments for operating activities</b>		<b>(26,479)</b>	<b>(34,345)</b>
<b>Net cash flows from operating activities</b>		<b>3,289</b>	<b>12,002</b>
<b>Cash receipts from</b>			
the sale of disposal groups and property	5.1.	5,400	78,332
less outflow of cash and cash equivalents from disposal groups sold		–	(4,027)
proceeds from purchase price receivables related to prior periods	5.4.	5,647	4,625
dividends		–	100
other financial assets		2,251	283
<b>Cash receipts from investing activities</b>		<b>13,299</b>	<b>79,312</b>
<b>Cash payments for</b>			
investments in property, plant, and equipment		(590)	(1,548)
investments in investment property		(50,145)	(29,361)
the purchase of data processing programs		(1)	–
other financial assets		(959)	(229)
joint ventures		(236)	(92)
<b>Payments made for investments</b>		<b>(51,930)</b>	<b>(31,231)</b>
<b>Net cash flows from investing activities</b>		<b>(38,631)</b>	<b>48,081</b>
Cash payments for the purchase of treasury shares	7.10.1.	(173)	–
Cash receipts from the issue of (convertible) bonds	7.11.4.	9,000	5,239
Payments for the redemption of (convertible) bonds	7.11.4.	(6,123)	(46,670)
Cash receipts from loans and borrowing	7.11.4.	40,711	21,577
Payments made for the repayment of loans and borrowing	7.11.4.	(9,292)	(14,675)
Paid interest (for loans and borrowing)		(7,686)	(4,495)
Paid interest (for bonds and convertible bonds)		(417)	(2,213)
Paid financing costs		(587)	(701)
Payments for dividends	7.10.1.	(3,236)	–
<b>Net cash flows from/used in financing activities</b>		<b>22,196</b>	<b>(41,939)</b>
<b>Net change in cash and cash equivalents</b>		<b>(13,146)</b>	<b>18,144</b>
Foreign exchange rate changes in cash and cash equivalents		(21)	62
Foreign exchange rate changes from other comprehensive income		(876)	(80)
Cash and cash equivalents as at 1 January		22,849	4,723
<b>Cash and cash equivalents as at 31 December</b>		<b>8,805</b>	<b>22,849</b>
<b>Cash and cash equivalents at the end of the period consist of:</b>			
Cash and cash equivalents of the Group		8,456	22,849
Cash and cash equivalents of a disposal group classified as held for sale		349	–
		<b>8,805</b>	<b>22,849</b>

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

in EUR '000	Equity attributable to shareholders of the parent					Non-controlling interests	Total equity
	Share capital	Retained earnings	Treasury shares	Other reserves	Total		
<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>
IFRS 9 reclassification	–	241	–	(241)	–	–	–
<b>As at 1 January 2018</b>	<b>54,000</b>	<b>59,435</b>	<b>(301)</b>	<b>(2,208)</b>	<b>110,926</b>	<b>(27,445)</b>	<b>83,481</b>
Capital from non-controlling interests	–	–	–	–	–	10,800	<b>10,800</b>
Share buyback	–	–	(173)	–	<b>(173)</b>	–	<b>(173)</b>
Dividend	–	(3,236)	–	–	<b>(3,236)</b>	–	<b>(3,236)</b>
Total comprehensive income for the period	–	5,972	–	(2,602)	<b>3,370</b>	(4,095)	<b>(725)</b>
<i>thereof profit for the period</i>	–	5,890	–	–	<b>5,890</b>	(3,963)	<b>1,927</b>
<i>thereof other comprehensive income</i>	–	82	–	(2,602)	<b>(2,520)</b>	(132)	<b>(2,652)</b>
<b>As at 31 December 2018</b>	<b>54,000</b>	<b>62,171</b>	<b>(474)</b>	<b>(4,810)</b>	<b>110,887</b>	<b>(20,740)</b>	<b>90,147</b>

# Notes to the Consolidated Financial Statements

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

## 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 also presented. 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	
	2018	2017	2018	2017
<b>SEGMENT OVERVIEW – PROFIT OR LOSS FOR THE PERIOD</b>				
External revenues	44,628	58,864	19,403	17,354
Intragroup services	–	–	–	–
Expenses directly attributable to revenues	(33,952)	(43,180)	(3,277)	(3,157)
<b>Gross income from revenues</b>	<b>10,676</b>	<b>15,685</b>	<b>16,127</b>	<b>14,197</b>
Gains or losses from the disposal of properties	–	–	–	–
Other operating income	226	821	–	–
Expenses for development projects	–	–	–	–
Personnel expenses	(652)	(1,105)	(37)	(30)
Other/miscellaneous expenses	(4,462)	(5,064)	(364)	(265)
Intragroup services	–	(283)	(213)	(40)
<b>Segment EBITDA</b>	<b>5,788</b>	<b>10,055</b>	<b>15,513</b>	<b>13,862</b>
Scheduled depreciation and amortisation	(3,147)	(3,135)	–	(12)
Impairments	–	–	–	–
Gains/losses on remeasurement of assets held for sale	–	1,173	–	–
Impairment reversals	503	2,748	–	–
Measurement gains	–	–	3,665	8,284
Measurement losses	–	–	(323)	(560)
<b>Segment EBIT</b>	<b>3,144</b>	<b>10,841</b>	<b>18,855</b>	<b>21,574</b>
Finance income	668	59	779	66
Finance expenses	(1,779)	(3,358)	(5,966)	(5,486)
Changes in foreign exchange rates	(3,863)	(2,325)	(9,881)	(5,840)
Earnings from joint ventures	–	–	–	–
Current income taxes	(209)	(59)	(188)	(95)
Deferred income taxes	125	(873)	(291)	472
<b>Segment overview – profit or loss for the period</b>	<b>(1,915)</b>	<b>4,285</b>	<b>3,308</b>	<b>10,691</b>



	Development and Services		Segment total as at 31. Dezember		Reconciliation		Group total	
	2018	2017	2018	2017	2018	2017	2018	2017
	1,883	2,767	<b>65,915</b>	78,985	<b>(36,747)</b>	(36,618)	<b>29,168</b>	42,367
	213	323	<b>213</b>	323	<b>(213)</b>	(323)	–	–
	(1,575)	(1,292)	<b>(38,804)</b>	(47,629)	<b>26,578</b>	25,674	<b>(12,226)</b>	(21,955)
	<b>521</b>	<b>1,798</b>	<b>27,324</b>	<b>31,680</b>	<b>(10,382)</b>	<b>(11,268)</b>	<b>16,942</b>	<b>20,412</b>
	–	26,575	–	26,575	–	–	–	26,575
	72	1,014	<b>298</b>	1,835	<b>(226)</b>	(646)	<b>72</b>	1,189
	(178)	(231)	<b>(178)</b>	(231)	–	2	<b>(178)</b>	(229)
	(4,835)	(7,257)	<b>(5,524)</b>	(8,392)	<b>47</b>	68	<b>(5,477)</b>	(8,324)
	(5,748)	(3,802)	<b>(10,573)</b>	(9,131)	<b>3,551</b>	3,113	<b>(7,022)</b>	(6,018)
	–	–	<b>(213)</b>	(323)	<b>213</b>	323	–	–
	<b>(10,168)</b>	<b>18,096</b>	<b>11,133</b>	<b>42,013</b>	<b>(6,796)</b>	<b>(8,408)</b>	<b>4,337</b>	<b>33,605</b>
	(145)	(107)	<b>(3,291)</b>	(3,254)	<b>2,379</b>	2,359	<b>(912)</b>	(895)
	(21)	–	<b>(21)</b>	–	–	–	<b>(21)</b>	–
	(69)	–	<b>(69)</b>	1,173	–	1	<b>(69)</b>	1,174
	–	1,883	<b>503</b>	4,631	–	–	<b>503</b>	4,631
	12,929	14,346	<b>16,594</b>	22,630	<b>(41)</b>	(1,738)	<b>16,553</b>	20,892
	(241)	(4,144)	<b>(564)</b>	(4,703)	–	–	<b>(564)</b>	(4,703)
	<b>2,285</b>	<b>30,074</b>	<b>24,285</b>	<b>62,489</b>	<b>(4,459)</b>	<b>(7,786)</b>	<b>19,826</b>	<b>54,704</b>
	1,985	1,122	<b>3,432</b>	1,247	<b>(53)</b>	2,355	<b>3,380</b>	3,602
	(1,500)	(4,093)	<b>(9,245)</b>	(12,937)	<b>1,837</b>	2,439	<b>(7,408)</b>	(10,499)
	62	(434)	<b>(13,683)</b>	(8,599)	<b>2,155</b>	1,190	<b>(11,528)</b>	(7,409)
	25	98	<b>25</b>	98	<b>675</b>	2,492	<b>699</b>	2,590
	(261)	(105)	<b>(659)</b>	(259)	<b>215</b>	274	<b>(444)</b>	15
	(2,062)	(1,143)	<b>(2,228)</b>	(1,544)	<b>(369)</b>	(963)	<b>(2,598)</b>	(2,507)
	<b>534</b>	<b>25,520</b>	<b>1,927</b>	<b>40,496</b>	–	–	<b>1,927</b>	<b>40,496</b>

in EUR '000	Segment total		Reconciliation		Subtotal	
	2018	2017	2018	2017	2018	2017
<b>HOTELS SEGMENT – PROFIT OR LOSS OVERVIEW</b>						
Revenues from hotels	44,577	58,624	(32,208)	(31,289)	<b>12,369</b>	27,335
Expenses for materials and services rendered	(17,823)	(21,191)	13,588	12,403	<b>(4,236)</b>	(8,788)
Personnel expenses	(11,916)	(15,847)	8,838	8,765	<b>(3,078)</b>	(7,082)
<b>Gross operating profit (GOP)</b>	<b>14,838</b>	<b>21,586</b>	<b>(9,782)</b>	<b>(10,121)</b>	<b>5,056</b>	<b>11,465</b>
Income after GOP	277	1,062	(226)	(887)	<b>51</b>	175
Management fees	(2,306)	(3,374)	1,749	1,664	<b>(558)</b>	(1,710)
Exchange rate differences	55	(156)	(96)	(25)	<b>(42)</b>	(181)
Property costs	(2,187)	(3,433)	1,440	2,305	<b>(747)</b>	(1,129)
<b>Net operating profit (NOP)</b>	<b>10,676</b>	<b>15,685</b>	<b>(6,915)</b>	<b>(7,065)</b>	<b>3,761</b>	<b>8,619</b>
Other income/costs after NOP	(1,158)	(644)	269	(707)	<b>(889)</b>	(1,351)
Lease/rent	(3,730)	(4,703)	3,123	3,155	<b>(607)</b>	(1,549)
Scheduled depreciation and amortisation on fixed assets	(3,147)	(3,135)	2,373	2,342	<b>(773)</b>	(793)
Impairment reversals	503	3,921	–	1	<b>503</b>	3,922
<b>Contribution to the operating profit for the Hotels segment</b>	<b>3,144</b>	<b>11,124</b>	<b>(1,150)</b>	<b>(2,275)</b>	<b>1,994</b>	<b>8,849</b>
Less intragroup services	–	(283)	–	283	–	–
<b>Segment EBIT</b>	<b>3,144</b>	<b>10,841</b>	<b>(1,150)</b>	<b>(1,992)</b>	<b>1,994</b>	<b>8,849</b>
<b>Key operating figures in the Hotels segment</b>						
Employees – Hotels	501	747	-215	-230	<b>287</b>	517
Rooms (absolute)	1,024	1,684	-604	-676	<b>420</b>	1,009
Rooms available	1,024	1,683	-604	-675	<b>420</b>	1,008
Rooms sold	789	1,238	-493	-557	<b>296</b>	681
Occupancy	77%	74%	-7%	-6%	<b>70%</b>	68%
REVPAR (in EUR)	81	57	-35	-18	<b>46</b>	39
<b>Composition of NOP (geographic):</b>						
Czech Republic	816	2,329	–	(167)	<b>816</b>	2,162
Poland	4,243	8,372	(4,243)	(4,895)	–	3,477
Romania	–	370	–	–	–	370
Russia	2,944	2,610	–	–	<b>2,944</b>	2,610
France	2,673	2,003	(2,673)	(2,003)	–	–

## SEGMENT DISCLOSURES AT GROUP LEVEL (GEOGRAPHIC)

	Hotels		Investment Properties		Development & Services		Group total	
	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17	31/12/18	31/12/17
Composition of non-current assets in accordance with IFRS 8.33 (geographic):								
Austria	–	–	–	–	88	32	<b>88</b>	32
Czech Republic	–	–	–	–	19	24	<b>19</b>	24
Poland	–	–	78,441	8,298	35,046	48,599	<b>113,487</b>	56,897
Russia	20,982	24,400	62,915	72,967	7,428	7,623	<b>91,325</b>	104,990
Germany	–	–	–	–	1,049	–	<b>1,049</b>	–
Hungary	–	–	32,936	22,347	51	5,443	<b>32,987</b>	27,790
<b>Total</b>	<b>20,982</b>	<b>24,400</b>	<b>174,292</b>	<b>103,613</b>	<b>43,681</b>	<b>61,721</b>	<b>238,955</b>	<b>189,734</b>
	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017	<b>2018</b>	2017
Composition of revenues (geographic):								
Austria	–	–	–	–	289	249	<b>289</b>	249
Czech Republic	4,346	8,364	–	257	86	–	<b>4,432</b>	8,621
Poland	–	9,089	1,241	–	783	1,269	<b>2,024</b>	10,358
Romania	–	1,333	–	–	–	–	–	1,333
Russia	8,074	8,723	11,834	11,164	89	110	<b>19,996</b>	19,997
Hungary	–	–	2,407	1,769	18	39	<b>2,426</b>	1,808
<b>Total</b>	<b>12,420</b>	<b>27,509</b>	<b>15,482</b>	<b>13,190</b>	<b>1,265</b>	<b>1,668</b>	<b>29,168</b>	<b>42,367</b>
Average number of employees	<b>292</b>	527	<b>15</b>	15	<b>37</b>	37	<b>343</b>	578

## [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 2018 were authorised for release to the Supervisory Board by the Management Board on 25 April 2019. 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 office buildings and hotels 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 recharging of intragroup services and project development services at arm’s length terms. Service relationships with a single customer exceeded 10 per cent of the total Group revenues in the reporting period. These revenues amounted to EUR 11,922 thousand (prior year: EUR 11,274 thousand) and primarily 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
Poland:	InterContinental hotel; until May 2017: andel’s Krakow, Chopin, andel’s Łódź, angelo Katowice, 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 space, Pragueue (leased)
Poland:	Ogrodowa office building, Łódź (let out starting in the autumn of 2018); Mogilska 41, Krakow (from December 2017); multi-development, Krakow (demolished for new building in 2017)
Russia:	Zeppelin office tower, Jupiter 1 and 2 office towers, Bykovskaya multi-use building (from June 2017) – all in St. Petersburg
Hungary:	B52 (from May 2018), Erzsébet, and Sajka office buildings – 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 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. However, investment properties, derivative financial instruments, and financial assets measured at fair value through other comprehensive income 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

The following new or amended standards were applied for the first time in the reporting period:

##### • 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 7.8.). This instrument will be measured at fair value through other comprehensive in the future in order to avoid value fluctuations due to measurement in the income statement. 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 was reclassified to retained earnings on 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 carrying amount, i.e. the carrying amount 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. Due to the Group's business model, the changes in the measurement of impairments do not result in any material effects.

##### *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 assets, changes in value stemming from changes in the default risk must be recognised in other comprehensive income. Warimpex did not exercise the fair value option and does not plan to do so in the future. In addition, in the case of contract modifications, modification gains or losses must be recognised through profit or loss immediately. These modification gains or losses comprise the difference between the present value of the original liability and the present value of the modified liability. In each case, the original effective interest rate is used to determine the present value.

Due to the initial application of IFRS 9, the available-for-sale financial assets in the amount of EUR 6,146 thousand were reclassified to the financial assets measured at fair value through other comprehensive income on 1 January 2018 (see section 7.8.). The available-for-sale reserve in the amount of EUR 241 thousand was also reclassified from other reserves to retained earnings on 1 January 2018. Modification gains in the amount of EUR 1,287 thousand were recognised for the first time in the reporting period (see section 6.8.).

##### • 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 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 5.4.), 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 primarily made up of rental revenue as well as earnings from facility management and operating costs. When negotiating leases for office space, not only the rent but also the fees for operating costs and in some cases other services are generally agreed together in the contracts with the tenants.

If IFRS 15 is applied, there is an exception for leases according to IAS 17 until 31 December 2018 and IFRS 16 from 1 January 2019. IFRS 16 stipulates that lease and non-lease components of a contract must be separated and the non-lease components must be recognised separately in accordance with IFRS 15. Therefore, rental revenue is recognised in accordance with IAS 17 and other income from contracts with tenants in accordance with IFRS 15.

*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.

In general, Warimpex opted 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 are to be recognised in the retained earnings as at 1 January 2018. Due to the Group's business model, however, there were no changes in the retained earnings as at 1 January 2018. An amount of EUR 5,646 thousand of the trade and other receivables was reclassified to the contract assets on 1 January 2018 (see section 7.6.). In addition, more detailed disclosures are provided in the notes, such as the breakdown of revenues in item 6.1.

• *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 and there must be evidence of a change in use beyond just a change in management's intentions. This provision could impact the consolidated financial statements because transfers will generally occur at a later point in time.

• *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. This provision did not result in any changes to the consolidated financial statements in the reporting period.

• Other amendments:

The following amendments that must be applied starting on 1 January 2018 did not have any effects for the Group in the financial year:

Standard / Interpretation	Content/Description
IFRS 4	Applying IFRS 9 with IFRS 4
IFRS 1	Annual Improvements 2014–2016
IAS 28	Annual Improvements 2014–2016
IFRS 2	Classification and Measurement of Share-based Payment Transactions

Summary of the effects of the new standards:

	Standard	1/1/2018	31/12/17
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Effects on the opening balance as at 1 January 2018:

Available-for-sale financial assets			6,146
Financial assets measured at fair value through other comprehensive income		6,146	
	IFRS 9	<b>6,146</b>	<b>6,146</b>
Trade and other receivables		7,816	13,463
Contract assets		5,646	
	IFRS 15	<b>13,463</b>	<b>13,463</b>
Retained earnings		59,435	59,194
Other reserves		(2,208)	(1,967)
	IFRS 9	<b>57,228</b>	<b>57,228</b>

Effects on the consolidated financial statements in the 2018 financial year:

	Standard	2018	2018 old*
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On the income statement:

Interest revenue	IFRS 9 (IAS 1)	1,037	–
Other finance income	IFRS 9 (IAS 1)	2,343	–
Finance income		–	2,303
	IFRS 9	<b>3,380</b>	<b>2,303</b>

On other comprehensive income:

Gains/losses from available-for-sale financial assets		–	109
(Deferred) taxes in other comprehensive income		(6)	(33)
Other comprehensive income (reclassified to profit or loss in subsequent periods)		(2,307)	(2,225)
Gains/losses from financial assets measured at fair value through other comprehensive income		109	–
(Deferred) taxes in other comprehensive income		(27)	–
Other comprehensive income (not reclassified to profit or loss in subsequent periods)		(345)	(427)
	IFRS 9	<b>(2,576)</b>	<b>(2,576)</b>

On equity:

Retained earnings		62,171	60,772
Other reserves		(4,810)	(4,487)
	IFRS 9	<b>57,361</b>	<b>56,285</b>

On liabilities:

Other financial liabilities (non-current)	IFRS 9	<b>135,019</b>	<b>136,096</b>
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\*) In this column, items are presented as if the new standards described above did not yet have to be applied.



### 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 International Accounting Standards Board (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 16	Leases	1/1/2019
IFRS 9	Prepayment Features with Negative Compensation	1/1/2019*
IFRIC 23	Uncertainty over Income Tax Treatments	1/1/2019
IAS 28	Long-term Interests in Associates and Joint Ventures	1/1/2019*
IFRS 3	Annual Improvements 2015–2017	1/1/2019*
IFRS 11	Annual Improvements 2015–2017	1/1/2019*
IAS 12	Annual Improvements 2015–2017	1/1/2019*
IAS 23	Annual Improvements 2015–2017	1/1/2019*
IAS 19	Plan Amendment, Curtailment or Settlement	1/1/2019*

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 date according to standard
IFRS 17	Insurance Contracts	1/1/2021*
Conceptual Framework	Amendments to References to the Conceptual Framework	1/1/2020
IFRS 3	Amendments to Definition of a Business	1/1/2020

\*) 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 16: Leases

According to IFRS 16, the lessee is required to recognise the rights and obligations from any leases. Therefore, 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 in accordance with 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 reported 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. The Group plans to make use of the reliefs defined in the transitional arrangements. In particular, comparative information will not be restated. In accordance with the exemptions defined in IFRS 16, neither a right-of-use asset nor a lease liability will be recognised for leases that end within one year of the initial application of the standard. The relevant incremental borrowing rate (4.06 per cent on average) will be used to determine the present value.

The most significant change in the consolidated financial statements pertains to the recognition of the right-of-use asset and lease liability related to the Dvořák hotel in Karlovy Vary, which will amount to roughly EUR 4,295 thousand. Because the assets and liabilities of the hotel operating company were recognised as held for sale according to IFRS 5 on the reporting date (see section 5.2.), the right-of-use asset and the lease liability will also be recognised in accordance with IFRS 5 as at 1 January 2019. The effects on the income statement and cash flows are negligible because the hotel operating company was sold in February 2019.

In addition, right-of-use assets from rental and lease agreements for office space, office equipment, and vehicles will be recognised under property, plant, and equipment for the first time as at 1 January 2019. Here as well, the Group expects the effects on the income statement and the cash flow to be insignificant.

Lease agreements for investment properties have already been measured at fair value in accordance with IAS 40 up to now. This results in the recognition of a right-of-use asset in the amount of EUR 506 thousand upon initial application, which increases the previously measured fair value according to the provisions of IAS 40, and the recognition of a lease liability in the same amount.

This is expected to have the following effects on the consolidated financial statements:

#### Effects on the opening balance as at 1 January 2019:

Property, plant, and equipment (right-of-use assets)	1,058
Investment properties (right-of-use assets)	506
Non-current assets and disposal groups, held for sale *)	4,295
<b>Change in assets</b>	<b>5,859</b>
Lease liabilities	1,564
Liabilities directly related to the disposal groups *)	4,295
<b>Change in equity and liabilities</b>	<b>5,859</b>

\*) Pertains to the operating company for the Dvořák spa hotel, which was sold in February 2019

#### • 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 estimates regarding uncertain tax positions may change due to new knowledge, for example in connection with changes in administrative or legal practices, or due to tax audits and this may lead to the recognition of additional tax assets or liabilities. On the reporting date, the Group had not identified any uncertain tax positions that are unlikely to be accepted by the tax authority.

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

##### Conceptual Framework: Amendments to References to the Conceptual Framework in IFRS Standards

The IASB published a revised Conceptual Framework in March 2018. The Conceptual Framework serves the IASB as a guideline for the development of standards and supports companies in developing accounting methods when no specific IFRS regulations are applicable. The content changes include revised definitions and the addition of information regarding the prudence concept, commercial substance, recognition and derecognition, measurement, etc. In this context, the IASB issued Amendments to References to the Conceptual Framework in IFRS Standards, which must be applied starting on 1 January 2020. These amendments update the references to the Conceptual Framework in current standards (with exceptions in IFRS 3 and IAS 8). The new Conceptual Framework and the amendments to references to it may result in changes to the Group's accounting policies in the event that relevant transactions are executed.

##### Amendments to IFRS 3: Definition of a Business

The amendments to IFRS 3 clarify the definition of a business. According to the new definition, a business is a set of activities and assets that includes an input and a substantive process that together contribute to the ability to create outputs. In this context, output applies to goods and services provided to customers. The amended definition must be applied to business combinations starting on 1 January 2020. This could lead to changes in the Group's accounting policies in the event that a relevant transaction is executed.

### 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 balance sheet items 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).

#### 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.

Certain financial assets (equity instruments) and derivative financial instruments are recognised at fair value in the consolidated statement of financial position. Additional information is provided in sections 7.8. and 7.12. 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. The experts are selected by the chief financial officer in coordination with the responsible project or asset managers. 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 2018, this applied to the Sajka office building in Budapest (see section 5.2.).

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.

The fair value determined by the experts is checked by the responsible project/asset manager with regard to the assumptions and input parameters applied by the expert as well as the changes compared with the previous valuation date and is approved for posting by the chief financial officer.

#### 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. Measurement of revenues

In connection with the first-time application of IFRS 15, the Group made discretionary decisions for the measurement of the revenues in the Investment Properties segment pertaining to whether the Group is to be considered the principal or the agent when it comes to earnings from operating costs in connection with the letting of office space.

In the course of the analysis, the Group applied the indicators specified in IFRS 15 and determined that it has primary responsibility for fulfilling the commitments; must fulfil the contract vis-à-vis third parties even if costs cannot be charged with or without a surcharge; and has discretion in establishing prices in the course of the contract negotiations.

#### 3.4.3. 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 hotel operations and letting out 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.).

#### 3.4.4. 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 budgeting for the individual taxable entity makes it appear probable that the deferrals can actually be utilised.

Further information is provided in section 6.11. Income taxes and section 7.5. Deferred taxes (tax assets and liabilities).

### 3.5. 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 per cent and below 50 per cent 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. Any 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 assesses 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

In accordance with IFRS 9, financial assets are classified as follows upon initial recognition:

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

The classification is based on the Group's business model and the characteristics of the contractual cash flows. In each case, assets are recognised at their fair value upon initial recognition, taking the provisions of IFRS 15 into account. The transaction costs must also be recognised except in the case of financial assets recognised at fair value through profit or loss.

##### Measured at amortised cost

Financial assets are recognised at amortised cost when the objective of the business model is to hold the asset in order to collect the contractual cash flows ("business model test") and the contractual terms give rise on specified dates to cash flows from payments of principal and interest ("cash flow characteristics test"). The objective of the Group's business model is to collect the contractual cash flows from payments of principal and in some cases interest, so the Group's financial assets are generally recognised at amortised cost. Interest revenue is to be calculated by applying the effective interest rate method to the gross carrying amount. There are exceptions for credit-impaired assets. In the event of changes in contractual cash flows that do not result in derecognition, the gross carrying amount is recalculated and the difference compared with the previous gross carrying amount is recognised as a modification gain or modification loss.

##### Measured at fair value through other comprehensive income

Financial assets are recognised at fair value through other comprehensive income if the asset is either

1. an equity instrument that is not held for trading, or
2. a debt instrument in a hold to collect and sell business model with cash flows that are solely payments of principal and interest.

With regard to the equity instruments held within the Group, Warimpex has elected to recognise value changes in other comprehensive income. Later reclassification of cumulated value changes (recycling) is not permitted. Dividends from the equity instruments are recognised through profit or loss.

IFRS 9 stipulates that debt instruments in a hold to collect and sell business model that meet the conditions of the cash flow characteristics test must be measured at fair value through

other comprehensive income. Value changes are not recognised through profit or loss, but are instead initially recognised in other comprehensive income. Later reclassification to the income statement (recycling) is permitted.

##### Measured at fair value through profit or loss

Derivatives and debt instruments that do not meet the conditions of the business model test and cash flow characteristics test described above – and thus are not measured at amortised cost or at fair value through other comprehensive income – must be recognised at fair value through profit or loss according to IFRS 9. Value changes are recognised in the income statement.

#### 3.6.2. Impairment of financial assets

The amount of the impairment and the recognised interest is determined in three stages in accordance with IFRS 9:

Stage 1: Expected losses in the amount of the present value of an expected 12-month loss must be measured upon initial recognition.

Stage 2: 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 3: When there is objective evidence of impairment, interest revenue must be recognised on the basis of the net carrying amount, i.e. the carrying amount less risk provisions.

The Group applies the simplified approach for trade receivables and 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.

#### 3.6.3. Financial liabilities

When recognised for the first time, financial liabilities are either categorised as financial liabilities measured at amortised cost, as financial liabilities measured 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 were held by the Group in the prior year were cash flow hedges. These served 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 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 measured at amortised cost according to IFRS 9 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.

**3.7. 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.

Please see section 9.2. for information about the leases.

### 3.8. Non-current assets/disposal groups held for sale

If disposal groups are classified as held for sale, all associated assets and liabilities are reclassified in accordance with IFRS 5. Non-current assets or disposal groups 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 (disposal groups) held for sale can be found in section 5.2.

### 3.9. 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 3.4.3.). 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 2018, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

		31/12/2018	31/12/2017
Polish zloty	(PLN/EUR)	4.3000	4.1709
Czech koruna	(CZK/EUR)	25.7250	25.5400
Hungarian forint	(HUF/EUR)	321.51	310.14
Russian rouble	(RUB/EUR)	79.4605	68.8668

### 3.10. 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.

### 3.11. 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. Rent incentives (e.g. rent-free periods) and the initial costs of leases are deferred in accordance with the relevant IFRS regulations and recognised through profit or loss over the term of the given lease. The formation of these deferred items is recognised in the same way as additions to property and thus reduce the remeasurement result, while the release of these deferred items increases the remeasurement result over the term.

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.

### 3.12. 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.

### 3.13. 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, Hungary, and Russia 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 or until the last planned anniversary bonus payment. 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 three 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 693 thousand (2017: EUR 556 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.

### 3.14. Revenue recognition

#### Income recognition in accordance with IFRS 15:

Revenues have been recognised in accordance with IFRS 15 since 1 January 2018. For more information, please refer to the explanations regarding the new IFRS 15 in the changes to the accounting policies and measurement methods in section 3.2.1.

#### 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 control is transferred.

### 3.15. 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				
100% interests:							
Grassi Hotelbeteiligungs- und Errichtungs GesmbH	A-Vienna	100%	–	2,943	EUR	EUR	DS
Grassi H1 Hotel-beteiligungs GmbH <sup>1</sup>	A-Vienna	100%	–	35	EUR	EUR	DS
→ 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
Boyauville Invest GmbH <sup>4</sup>	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. <sup>3</sup>	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
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. <sup>3</sup>	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.	PL-Warsaw	3%	97%	5	PLN	EUR	IP / DS
WX Krakow sp. z o.o. i.L. <sup>3</sup>	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 <sup>2</sup>	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 Łódź 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	PLN	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
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
AO 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
Non-controlling interests:							
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 3.4.3.

<sup>1</sup> The shares in these companies were transferred to the Group parent in an intragroup transaction in 2017.

<sup>2</sup> These hotel companies were sold on 31 May 2017 (see section 5.4.).

<sup>3</sup> These companies were liquidated during the financial year.

<sup>4</sup> The company was renamed from WX Leuchtenbergring GmbH to Boyauville Invest GmbH during the financial year.

<sup>5</sup> The company was liquidated in 2017.

<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	
		31/12/18	31/12/17	2018	2017	31/12/18	31/12/17
AO Avielen A.G.	RU-St.Petersburg	45%	45%	(3,957)	(60)	(20,847)	(27,563)
El Invest Sp. z o.o.	PL-Warsaw	19%	19%	(6)	15	107	117
<b>Total non-controlling interests</b>						<b>(20,740)</b>	<b>(27,445)</b>

## Summary financial information:

	AO Avielen A.G.	
	31/12/18	31/12/17
<b>Summary balance sheet:</b>		
Non-current assets	77,548	92,126
Current assets	4,181	11,824
<b>Total assets</b>	<b>81,729</b>	<b>103,951</b>
Equity – Group share	(25,480)	(33,688)
Equity – non-controlling interests	(20,847)	(27,563)
Non-current liabilities	123,425	157,532
Current liabilities	4,630	7,669
<b>Total equity and liabilities</b>	<b>81,729</b>	<b>103,951</b>
	<b>2018</b>	<b>2017</b>
<b>Summary profit or loss statement:</b>		
Income	17,378	22,372
Expenses	(26,172)	(22,506)
<b>Profit or loss for the period</b>	<b>(8,794)</b>	<b>(134)</b>
<i>thereof attributable to shareholders of the parent</i>	<i>(4,837)</i>	<i>(74)</i>
<i>thereof attributable to non-controlling interests</i>	<i>(3,957)</i>	<i>(60)</i>
<b>Other income/expenses</b>	<b>(282)</b>	<b>(618)</b>
<i>thereof attributable to shareholders of the parent</i>	<i>(155)</i>	<i>(340)</i>
<i>thereof attributable to non-controlling interests</i>	<i>(127)</i>	<i>(278)</i>
<b>Profit/loss for the period</b>	<b>(9,076)</b>	<b>(751)</b>
<i>thereof attributable to shareholders of the parent</i>	<i>(4,992)</i>	<i>(413)</i>
<i>thereof attributable to non-controlling interests</i>	<i>(4,084)</i>	<i>(338)</i>
	<b>2018</b>	<b>2017</b>
<b>Summary cash flow statement:</b>		
Net cash flows from operating activities	7,537	12,196
Net cash flows from investing activities	(1,269)	(8,433)
Net cash flows from/used in financing activities	(13,148)	5,355
<b>Net change in cash and cash equivalents</b>	<b>(6,880)</b>	<b>9,118</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. Property sales**

In May 2018, Warimpex sold a reserve property located in Budapest for EUR 5,400 thousand. The transaction resulted in

a cash inflow of EUR 5,400 thousand, but did not make an earnings contribution due to the impairment reversal that was already recognised in the previous year.

Consolidated statement of financial position:	Assets	Equity and liabilities
Effects of property sales on the consolidated financial statements	(5,400)	–
	<b>(5,400)</b>	<b>–</b>

Consolidated income statement:	2018
Agreed (net) purchase price for the properties/shares	5,400
Carrying amount of the proportionate net assets of the sold properties/companies	(5,400)
<b>Net result</b>	<b>–</b>

Cash flow:	2018
Payments received for the sale of properties during the financial year	5,400
Payments received from the sale of properties and interests in the prior year	5,647
<b>Cash flow</b>	<b>11,047</b>

**5.2. Non-current assets/disposal groups classified as held for sale (IFRS 5)**

The following assets/disposal groups were classified as held for sale as at 31 December 2018:

- Sajka office building, Budapest
- Assets and liabilities of Balnex 1 a.s. (operating company for Dvořák hotel, Karlovy Vary)
- Joint venture shares in Asset Paris II SARL (Magic Circus hotel, Disneyland Paris)
- Joint venture shares in UBX II (France) SARL (Dreamcastle hotel, Disneyland Paris)

The assets and disposal groups held for sale 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 (see section 5.1.)	5,400	–	(5,400)	–
Investment property in Budapest	–	900	–	900
Net investments in joint ventures	–	9,596	–	9,596
Other current receivables	–	378	–	378
Cash and cash equivalents	–	349	–	349
<b>Net assets according to IFRS 5</b>	<b>5,400</b>	<b>11,223</b>	<b>(5,400)</b>	<b>11,223</b>
<b>Liabilities according to IFRS 5:</b>				
Other liabilities	–	651	–	651
	–	<b>651</b>	–	<b>651</b>

### 5.3. Changes in the scope of consolidation

There were no changes in the scope of consolidation due to sales or purchases in the financial year.

Please see section 4.1.1. for information about other changes in the scope of consolidation.

### 5.4. Sale of hotel holdings and non-current assets classified as held for sale in the prior year

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 per cent share
- UBX Plzen s.r.o. (leaseholder of angelo hotel in Plzeň), 50 per cent share
- Andel's Łódź 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 per cent share
- UBX Katowice Sp. z o.o. (owner of angelo hotel in Katowice), 50 per cent 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 reported as held for sale according to IFRS 5 in the consolidated financial statements as at 31 December 2016. The assets and disposal groups held for sale and the associated liabilities changed as follows during 2017:

	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>	<b>–</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>	



## [06] Notes to the consolidated income statement

### 6.1. Revenues

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

The following table breaks revenues down into revenues according to IFRS 15 and other revenues:

	2018			Total
	Hotels	Investment Properties	Development and Services	
Geographical composition:				
Russia	8,074	1,593	89	9,756
Poland	–	139	631	770
Czech Republic	4,346	–	30	4,376
Hungary	–	451	4	455
Austria	–	–	289	289
<b>Revenues according to IFRS 15</b>	<b>12,420</b>	<b>2,184</b>	<b>1,043</b>	<b>15,647</b>
Russia	–	10,240	–	10,240
Poland	–	1,102	152	1,254
Czech Republic	–	–	56	56
Hungary	–	1,956	14	1,971
<b>Revenues according to IAS 17 (rental revenue)</b>	<b>–</b>	<b>13,298</b>	<b>223</b>	<b>13,521</b>
<b>Total revenues</b>	<b>–</b>	<b>15,482</b>	<b>1,265</b>	<b>29,168</b>

The revenue in the Development and Services segment includes revenue with joint ventures in the amount of EUR 378 thousand (2017: EUR 249 thousand).

### 6.2. Expenses directly attributable to revenues

	2018	2017
Composition of direct Hotels expenses:		
Expenses for materials and services rendered	(4,793)	(10,845)
Personnel expenses	(3,078)	(6,750)
Other expenses	(788)	(1,294)
	<b>(8,660)</b>	<b>(18,890)</b>

In the first five months of 2017, the expenses for materials and services rendered included management fees to a company that was a related party until that point in time (Vienna International Hotelmanagement AG) – see section 9.3.1.

	2018	2017
Composition of direct Investment Properties expenses:		
Expenses for materials and services rendered	(2,006)	(1,757)
Personnel expenses	–	(116)
Other expenses	(594)	(541)
	<b>(2,599)</b>	<b>(2,415)</b>

	2018	2017
Composition of direct Development and Services expenses:		
Expenses for materials and services rendered	(601)	(479)
Personnel expenses	(51)	(70)
Other services	(315)	(102)
	<b>(967)</b>	<b>(651)</b>

**6.3. Other operating income**

	2018	2017
<b>Composition:</b>		
Income from the release of deferred items	–	634
Foreign currency translation differences	–	482
Other	72	555
	<b>72</b>	<b>1,672</b>

**6.4. Administrative expenses**

	2018	2017
<b>Composition:</b>		
Other personnel expenses	(5,477)	(8,324)
Other administrative expenses	(3,947)	(3,904)
	<b>(9,424)</b>	<b>(12,228)</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**

	2018	2017
<b>Composition:</b>		
Wages and salaries	(6,803)	(12,780)
Ancillary wage and salary costs	(1,000)	(1,811)
Expenses for posted employees	(378)	(767)
Expenses/income related to holiday, severance, pension, and anniversary bonus benefits	(425)	98
	<b>(8,606)</b>	<b>(15,260)</b>
Less personnel expenses directly attributable to revenues	3,130	6,936
<b>Other personnel expenses</b>	<b>(5,477)</b>	<b>(8,324)</b>

During the reporting period, the Group had an average of 343 (2017: 578) employees.

Please see section 9.3.2.5. for information about directors' remuneration.

**6.4.2. Other administrative expenses**

	2018	2017
<b>Composition:</b>		
Administrative costs	(1,676)	(1,966)
Legal and consulting costs	(1,181)	(769)
Sundry administrative expenses	(1,090)	(1,169)
	<b>(3,947)</b>	<b>(3,904)</b>

Fees were paid to the Group financial auditor, Ernst & Young Wirtschaftsprüfungs GmbH, Vienna, for the financial year as follows: EUR 86 thousand (2017: EUR 90 thousand) for auditing services, and none (2017: EUR 35 thousand) for other services.

**6.5. Other expenses**

	2018	2017
<b>Composition:</b>		
Lease expenses	(630)	(1,638)
Property costs	(1,062)	(1,405)
Public relations and stock exchange listing	(873)	(879)
Contractual penalties	(770)	–
Non-deductible input taxes	(421)	(251)
Operational foreign currency translation differences	(343)	(176)
Sundry other expenses	(538)	(307)
	<b>(4,636)</b>	<b>(4,658)</b>
Less administrative expenses directly attributable to revenues	1,383	1,832
<b>Other expenses</b>	<b>(3,253)</b>	<b>(2,825)</b>

Property costs consist of owner expenses such as maintenance, insurance premiums, and property taxes. The real estate lease expenses pertain primarily to the Dvořák spa hotel in Karlovy Vary (and in the prior year to the andel's hotel in Krakow until 31 May 2017). Non-recoverable VAT also 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.

Due to unplanned delays in the completion of the office building in Łódź, some office spaces were handed over to tenants later than agreed. As a result, the affected tenants were compensated with contractual penalty payments.

#### 6.6. Depreciation, amortisation, and remeasurement

	2018	2017
<b>Composition:</b>		
Scheduled amortisation and depreciation	(912)	(895)
Impairments	(21)	–
Reversals of impairment on property, plant, and equipment	503	4,631
Gains/losses on remeasurement of non-current assets held for sale	(69)	1,174
Measurement gains (from investment properties)	16,553	20,892
Measurement losses (from investment properties)	(564)	(4,703)
	<b>15,489</b>	<b>21,098</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. 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 for hotel properties from the property valuation company CBRE Hotels 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.

#### Impairment reversals:

Impairments in the Hotels segment were reversed in the amount of EUR 503 thousand (2017: EUR 2,748 thousand) during the reporting period. The impairment reversal in the Development and Services segment amounted to EUR 1,883 thousand in the prior year.

The recoverable amount of the hotels for which an impairment reversal was recognised in the reporting period comes to EUR 20,982 thousand (2017: EUR 24,396 thousand); this amount in the Development and Services segment was EUR 3,857 thousand in 2017.

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

The measurement gains in the financial year primarily pertain to the Ogródowa office building in Łódź, which was completed in the second half of 2018. In addition, the following measurement gains were generated: for the office building being built in Krakow due to the construction progress, for the office properties in Budapest due to a lower discount rate, and for two properties in St. Petersburg due to higher planned values. The measurement losses pertain to three properties, which each contributed insignificant amounts.

In the prior year, the measurement gains were 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 were due to higher rental revenue and the application of lower interest rates for the calculation. The majority of the measurement losses were related to a development property in St. Petersburg.

#### 6.7. Interest received

	2018	2017
<b>Composition:</b>		
Interest received from loans to joint ventures/associates	577	732
Other interest received	460	252
	<b>1,037</b>	<b>984</b>

Due to the first-time application of IFRS 9, interest revenue calculated according to the effective interest rate method in accordance with IAS 1 must be presented separately in the income statement. The prior-year figures were also reclassified to ensure better comparability.

The interest received from joint ventures/associates pertains to AO Micos (see explanation regarding Micos in section 7.3.3.).

**6.8. Other finance income**

	2018	2017
<b>Composition:</b>		
Modification gain from credit agreements	1,287	–
Impairment reversal on loans to joint ventures/associates	–	2,445
Joint venture guarantee fees	156	155
Realised gains on derivative financial instruments	900	–
Unrealised gains on derivative financial instruments	–	18
	<b>2,343</b>	<b>2,618</b>

The impairment reversal on loans in connection with joint ventures/associates pertains to AO Micos (see explanation regarding Micos in section 7.3.3.).

The modification gain from credit agreements pertains to a reduction of fixed interest rates by the financing bank. According to IFRS 9, the resulting effect must be recognised on a one-time basis in the income statement, while the effective interest rate and thus the resulting interest expense remain unchanged.

The realised gains on derivative financial instruments pertain to the elimination of the conversion right from the convertible bond 11/2015–11/2018, which was redeemed early during the financial year.

**6.9. Finance expenses**

	2018	2017
<b>Composition:</b>		
Loan interest	(3,999)	(4,671)
Interest on loans from minority shareholders	(2,000)	(2,023)
Interest on bonds	(256)	(2,038)
Other finance expenses	(751)	(749)
Not yet realised losses from derivative financial instruments	–	(527)
Interest on convertible bonds	(362)	(455)
Interest cost for provisions for pensions and other long-term employee benefits	(39)	(35)
	<b>(7,408)</b>	<b>(10,499)</b>

The not yet realised losses from derivative financial instruments in the prior year resulted from the measurement of the embedded derivatives in connection with convertible bonds (see also section 7.12.).

Please see section 7.11.5. for information about the terms for interest-bearing financial liabilities. The other finance 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.

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

	2018	2017
<b>Composition:</b>		
From EUR financing (deviating functional currency)	(11,590)	(6,975)
From (convertible) bonds in PLN	62	(434)
	<b>(11,528)</b>	<b>(7,409)</b>

The exchange rate losses from EUR financing stem from the currency translation of bank loans and loans from non-controlling interests in a Russian subsidiary, for which the functional currency is the local currency and the financing is denominated in euros.

The translation differences of foreign currencies pursuant to IAS 21 totalled minus EUR 11,871 thousand (2017: minus EUR 7,103 thousand) in the reporting period. This amount consists of operating translation differences in the amount of minus EUR 343 thousand (contained in other expenses) and translation differences in the financial result.

### 6.11. 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 per cent (valid corporate income tax rate in Austria) for the reporting period and previous year is as follows:

Reconciliation of tax expenses:	2018	2017
<b>Consolidated income statement</b>		
Earnings before taxes	4,969	42,988
Accounting profit before income tax x 25% tax rate	(1,242)	(10,747)
± Other foreign tax rates	1,351	3,423
± Effects of tax-exempt results	621	5,752
± Permanent differences	(1,742)	1,561
± Expired loss carryforwards	(18)	–
± Effects of changes in the previous year	(117)	257
± Impairment of deferred tax assets	(11)	71
± Use of previously unrecognised tax assets	10	256
± Unused temporary differences	(2,753)	(3,329)
± Foreign withholding taxes and minimum corporate income taxes	(97)	(222)
± Effects of exchange rate fluctuations	956	485
<b>Taxes according to the income statement</b>	<b>(3,042)</b>	<b>(2,492)</b>
Effective tax rate	61.21%	5.80%
<b>Consolidated statement of comprehensive income</b>		
± Remeasurement of financial assets measured at fair value through other comprehensive income (2017: of available-for-sale financial assets)	(27)	22
± OCI result allocation from joint ventures	5	(7)
± Non-controlling interests	(6)	(45)
± Effects of exchange rate fluctuations	(5)	(60)
<b>Taxes in other comprehensive income</b>	<b>(33)</b>	<b>(90)</b>



Of the income taxes incurred during the reporting period, an amount of EUR 122 thousand 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 134,060 thousand (2017: EUR 124,323 thousand) at its disposal. Of these tax loss carryforwards, EUR 28,272 thousand (2017: EUR 34,016 thousand) are offset against deferred tax liabilities; deferred taxes were recognised for tax loss carryforwards in the amount of EUR 9,761 thousand (2017: EUR 9,558 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%)	345
in Poland (can be carried forward for 5 years, tax rate 19%, 15% for SMEs)	6,314
in Hungary (can be carried forward indefinitely, tax rate 10%)	1,936
in Luxembourg (can be carried forward indefinitely, tax rate 30%)	3,882
in Russia (can be carried forward indefinitely starting in 2017, tax rate 20%)	74,316
in Austria (can be carried forward indefinitely, tax rate 25%)	47,266
	<b>134,060</b>

Recognised loss carryforwards in the amount of EUR 53 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 10 thousand in the coming financial year.

No deferred tax claims were recognised for tax loss carryforwards in the amount of EUR 96,027 thousand (2017: EUR 80,749 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.

No deferred taxes were recognised for deferred tax assets according to IAS 12.44 (outside basis differences) in the amount of EUR 70,929 thousand (2017: EUR 68,198 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 33,831 thousand (2017: EUR 25,167 thousand) because the temporary differences are not expected to reverse in the foreseeable future, as this reversal lies in the area of influence of the Group parent.

In December 2017, the 55 per cent subsidiary AO Avielen A.G. was informed about the commencement of a tax audit. The tax audit had not yet been completed at the time the financial statements were being prepared. According to expert opinions, the objections raised by the authorities during the audit will be easy to refute in the course of the proceedings. 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.

A tax audit was conducted at the Group parent company in Vienna during the financial year. The audit covered the years 2012 to 2017 and was concluded in March 2019. The tax audit resulted in an additional payment in the amount of EUR 138 thousand, for which a provision was formed, and in the reduction of loss carryforwards that have not been recognised up to now.

**[07] Notes to the consolidated statement 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 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 according to IFRS 5	–	(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 7.11.4.)</i>				28,363
<b>Changes in 2018:</b>				
Carrying amounts at 1 January	24,396	3,857	1,308	29,561
Additions	94	22	496	612
Disposals	–	–	(47)	(47)
Scheduled depreciation and amortisation	(770)	–	(138)	(908)
Impairment charges	–	(21)	–	(21)
Impairment reversals	524	–	–	524
Exchange adjustments	(3,262)	(117)	(39)	(3,418)
<b>Carrying amounts at 31 December</b>	<b>20,982</b>	<b>3,741</b>	<b>1,580</b>	<b>26,303</b>
<b>Composition at 31/12/2018:</b>				
Acquisition or production cost	40,394	6,814	2,320	49,528
Cumulated write-downs	(19,411)	(3,073)	(740)	(23,224)
	<b>20,982</b>	<b>3,741</b>	<b>1,580</b>	<b>26,303</b>
<i>thereof pledged as senior collateral for interest-bearing loans (see section 7.11.4.)</i>				24,724

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:

	2018	2017
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 the 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	2018		2017	
	Range	Weighted average	Range	Weighted average
Exit yield	11.00%	11.00%	11.50%	11.50%
Discount rate	13.00%	13.00%	13.50%	13.50%
Expected cash flows (year one) in EUR '000/room	7.6	7.6	8.7	8.7

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2018	2017
Exit yield	+ 50 basis points	-644	-695
Exit yield	- 50 basis points	773	828
Discount rate	+ 50 basis points	-1,200	-1,378
Discount rate	- 50 basis points	1,304	1,496
Expected cash flows (year one)	+ 5%	1,060	1,233
Expected cash flows (year one)	- 5%	-1,060	-1,174

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

Material inputs	2018		2017	
	Range	Weighted average	Range	Weighted average
Market price/m <sup>2</sup> area in EUR	211	211	218	218

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2018	2017
Market price/m <sup>2</sup> area	+ 10%	374	386
Market price/m <sup>2</sup> area	- 10%	-374	-386

## 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 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 adjustments	(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>
<b>Changes in 2018:</b>				
Carrying amounts at 1 January	103,613	44,018	7,133	154,763
Reclassification due to start of development	–	2,713	(2,713)	–
Reclassification due to completion	70,238	(70,238)	–	–
Additions/investments	6,845	43,569	1,634	52,049
Capitalised borrowing costs	–	849	–	849
Reclassification according to IFRS 5	(900)	–	–	(900)
Net measurement result	3,287	11,401	1,279	15,967
Exchange adjustments	(9,691)	(313)	(978)	(10,981)
<b>Carrying amounts at 31 December</b>	<b>173,392</b>	<b>32,000</b>	<b>6,356</b>	<b>211,747</b>

The additions to the investment properties primarily pertain to the construction activities for the office developments in Łódź and Krakow as well as to the acquisition of a fully occupied office property in Budapest (2017: of an office property in Krakow). The cost of debt for the capitalised borrowing costs amounts to 2.95 per cent. The reclassification due to completion is related to the Ogródowa office building that was opened in Łódź in October 2018 (2017: the multi-use building in St. Petersburg). The additions include no subsequent purchase costs, but do include reductions in acquisition costs amounting to EUR 957 thousand.

The additions to the reserve properties pertain to advance payments made.

**7.2.2. Result from investment properties**

	2018	2017
Rental revenue	13,521	12,933
Income from charged operating expenses and other services	2,214	*)
less income from properties let out on a short-term basis	(252)	*)
less direct operating expenses	(2,599)	(2,041)
<b>Net rental income</b>	<b>12,882</b>	<b>10,891</b>

\*) Due to the first-time application of IFRS 15 (see the notes regarding Investment Properties revenues in section 3.2.1.), the Group is reporting rental revenue, operating costs, and other services separately for the first time in the reporting period.

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 317 thousand (2017: EUR 502 thousand).

**Developed properties:**

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

Material inputs	2018		2017	
	Range	Weighted average	Range	Weighted average
Exit yield	6.8–11.5%	8.6%	6.8–15.6%	11.1%
Discount yield	6.2–17.8%	10.5%	6.8–17.1%	12.9%
Estimated rent value (ERV)/m <sup>2</sup> /month in EUR	9.9–32.4	16.4	7.8–29.6	18.2

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

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%

Sensitivity analysis 2018					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	3%	8%	13%	18%	23%
-50 bp	-4%	1%	5%	10%	15%
0 bp	-9%	-4%	0%	4%	8%
50 bp	-14%	-10%	-7%	-3%	1%
100 bp	-19%	-15%	-11%	-8%	-4%

**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	2018		2017	
	Range	Weighted average	Range	Weighted average
Exit yield	6.25–6.39%	6.30%	6.1–6.8%	6.50%
Estimated rent value (ERV)/m <sup>2</sup> /month in EUR	14.6–15.2	14.9	14.6–15	14.7
Outstanding construction and development costs/m <sup>2</sup> in EUR	696–1,837	1,402	1,598–1,916	1,740
Developer's profit	20%	20%	15–20%	18%

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

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 2018					
Change in the exit yield by basis points	Change in the estimated rent value				
	-10%	-5%	0%	+5%	+10%
-100 bp	1%	14%	26%	38%	50%
-50 bp	-12%	0%	11%	22%	34%
0 bp	-22%	-11%	0%	11%	22%
50 bp	-33%	-23%	-12%	-2%	8%
100 bp	-41%	-32%	-22%	-12%	-2%

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%

Sensitivity analysis 2018					
Change in the developer's profit in percentage points	Change in the outstanding construction and development costs				
	-10%	-5%	0%	+5%	+10%
-10%	28%	21%	14%	7%	0%
-5%	22%	14%	7%	0%	-8%
0%	15%	8%	0%	-8%	-16%
5%	9%	1%	-7%	-15%	-23%
10%	3%	-6%	-14%	-22%	-31%

**Reserve properties:**

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

Material inputs	2018		2017	
	Range	Weighted average	Range	Weighted average
Market price/m <sup>2</sup> area in EUR	157–225	194	92–268	189

Sensitivity analysis	Change of assumption	Change in the result before taxes	
		2018	2017
Market price/m <sup>2</sup> area	+10%	740	718
Market price/m <sup>2</sup> area	+5%	370	359
Market price/m <sup>2</sup> area	-5%	-370	-359
Market price/m <sup>2</sup> area	-10%	-740	-718

### 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>2</sup>	CZ-Prague	50%	200	CZK	EUR	H
UBX Plzen Real Estate s.r.o. <sup>2</sup>	CZ-Prague	50%	200	CZK	EUR	H
Hotelinvestments (Luxembourg) SARL	LU-Luxembourg	50%	20	EUR	EUR	H
UBX Development (France) SARL <sup>4</sup>	F-Paris	50%	50	EUR	EUR	H
→ UBX II (France) SARL <sup>1,4</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.	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>2</sup>	PL-Warsaw	50%	50	PLN	EUR	H
Hotel Management Angelo Katowice Sp. z o.o. <sup>2,3</sup>	PL-Warsaw					
AO Micos <sup>1</sup>	RU-Moscow	44%	43	RUB	RUB	IP

Note:

<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 companies were sold on 31 May 2017.

<sup>3</sup> The company was acquired in 2017.

<sup>4</sup> As at 31 December 2018, the net investments in these companies were recognised in the non-current assets held for sale in accordance with IFRS 5.

### 7.3.2. Financial 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 *)	
	31/12/18	31/12/17	31/12/18	31/12/17
<b>Summary balance sheet:</b>				
Non-current assets	39,924	41,466	19,842	19,515
Current assets	5,302	4,262	4,092	4,162
<b>Total assets</b>	<b>45,226</b>	<b>45,728</b>	<b>23,934</b>	<b>23,677</b>
<i>thereof cash and cash equivalents</i>	3,767	2,420	2,161	1,893
Equity	2,075	2,301	805	251
<i>thereof capital transactions</i>	–	–	–	348
Non-current liabilities	38,126	38,902	19,536	19,788
Current liabilities	5,025	4,524	3,593	3,638
<b>Total equity and liabilities</b>	<b>45,226</b>	<b>45,728</b>	<b>23,934</b>	<b>23,677</b>
<i>thereof non-current financial liabilities pursuant to IFRS 12</i>	29,565	31,296	12,258	13,253
<i>thereof current financial liabilities pursuant to IFRS 12</i>	1,715	1,671	995	895
	<b>2018</b>	2017	<b>2018</b>	2017
<b>Summary profit or loss statement:</b>				
Income	23,801	19,563	17,459	16,219
Expenses including remeasurement result	(24,027)	(18,731)	(16,905)	(15,950)
Profit or loss for the period	(227)	832	554	269
Other income/expenses	–	–	–	–
<b>Net profit or loss for the period</b>	<b>(227)</b>	<b>832</b>	<b>554</b>	<b>269</b>
<b>Included in the profit or loss for the period:</b>				
Scheduled depreciation and amortisation	(2,568)	(2,641)	(1,058)	(935)
Interest received	–	–	–	–
Interest paid	(499)	(534)	(309)	(316)
Income tax expenses (or income)	2	4	–	–
	<b>31/12/18</b>	31/12/17	<b>31/12/18</b>	31/12/17
<b>Reconciliation to carrying amount of the interest:</b>				
Net assets	2,075	2,301	805	251
Group interest	50%	50%	50%	50%
Proportionate net assets	1,037	1,151	402	125
Shareholder loan as net investment	4,419	3,819	3,738	3,268
Reclassification to held for sale (IFRS 5)	(5,457)	–	(4,140)	–
<b>Net investment (carrying amount)</b>	<b>–</b>	<b>4,970</b>	<b>–</b>	<b>3,393</b>

\*) As at the reporting date, the net investments in these companies were recognised in the current assets held for sale (see section 5.2.).

Sienna Hotel Sp. z o.o. and Lanzarota Sp. z o.o.		AO Micos	
31/12/18	31/12/17	31/12/18	31/12/17
14,477	13,919	46,374	52,260
4,432	6,087	5,132	5,235
<b>18,908</b>	<b>20,007</b>	<b>51,506</b>	<b>57,495</b>
1,419	688	1,434	435
16,254	15,163	813	1,029
135	-	-	-
-	3	50,221	55,917
2,655	4,840	472	549
<b>18,908</b>	<b>20,007</b>	<b>51,506</b>	<b>57,495</b>
-	-	33,401	34,825
-	-	-	-
<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
23,622	24,499	9,616	9,606
(22,666)	(23,475)	(9,638)	(2,881)
956	1,024	(22)	6,726
-	-	(194)	(8)
<b>956</b>	<b>1,024</b>	<b>(216)</b>	<b>6,718</b>
(1,120)	(1,109)	-	(27)
15	25	113	147
(13)	10	(3,240)	(4,139)
(213)	(219)	595	(166)
<b>31/12/18</b>	<b>31/12/17</b>	<b>31/12/18</b>	<b>31/12/17</b>
16,254	15,163	813	1,029
50%	50%	44,02%	44,02%
8,127	7,581	358	453
-	-	-	-
<b>8,127</b>	<b>7,581</b>	<b>358</b>	<b>453</b>

### 7.3.3. Information on joint ventures and associates

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

#### AO Micos:

The Group holds a 44.02 per cent stake in AO Micos through its 55 per cent subsidiary AO Avielen A.G. 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 recognised 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 per cent parent and engages in no material business operations. As both companies are viewed together in the Group, they are depicted together here. These companies were recognised as held for sale as at 31 December 2018.

#### Hotel Paris II SARL:

The company leases a hotel at Eurodisney/Paris under a finance lease and operates the establishment. This company was recognised as held for sale as at 31 December 2018.

#### 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 in Warsaw 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.



#### 7.3.4. Composition and development of joint ventures and associates

	Capital shares	Loans	Total
<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>
<b>Composition at 31/12/2018:</b>			
Net investments	10,158	–	10,158
Cumulated earnings allocations (profit or loss for the period)	(820)	16	(804)
Cumulated allocated results from the other comprehensive income	(18)	–	(18)
	<b>9,321</b>	<b>16</b>	<b>9,337</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.

	2018	2017
<b>Development:</b>		
Carrying amounts at 1 January	17,224	14,479
Additions	71	174
IFRS 5 reclassification	(9,596)	–
Extension (+) / repayment (-) of loans	1,041	704
Capitalised interest income from loans granted	29	17
Earnings allocation from profit/loss for the period	671	1,887
Earnings allocation from other comprehensive income	(103)	(37)
<b>Carrying amounts at 31 December</b>	<b>9,337</b>	<b>17,224</b>

#### 7.3.5. 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.

	31/12/18	31/12/17
<b>Share of the assets and liabilities:</b>		
Non-current assets	57,549	60,677
Current assets	9,626	9,930
<b>Assets</b>	<b>67,175</b>	<b>70,607</b>
Proportionate equity	10,776	10,137
Proportionate Group shareholder's loans	7,123	7,475
Proportionate joint venture partner shareholder's loans	7,934	8,674
Non-current liabilities	35,236	37,238
Current liabilities	6,105	7,082
<b>Equity and liabilities</b>	<b>67,175</b>	<b>70,607</b>

	31/12/18	31/12/17
Reconciliation to carrying amount:		
Share of net assets	10,776	10,137
Group shareholder loan	15,679	16,487
Reclassification to held for sale	(9,596)	–
Loans to joint ventures/associates	(7,522)	(9,400)
<b>Net investment in joint ventures (carrying amount)</b>	<b>9,337</b>	<b>17,224</b>
Aggregated disclosures about joint ventures that are individually immaterial:		
Net investment in joint ventures (carrying amount)	577	561
Group share of the profit or loss for the period (going operations)	31	346
Group share of other comprehensive income	(18)	26
<b>Group share of net result for the period</b>	<b>13</b>	<b>373</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

	31/12/18	31/12/17
Composition non-current:		
Loans to joint ventures	7,522	9,400
Pension reimbursement insurance rights	693	556
Deposits with banks pledged as collateral	642	2,647
Non-current receivables from tax authorities	168	–
Loans and other non-current receivables	326	396
Advance payments made	54	–
Other non-current financial assets	499	646
	<b>9,906</b>	<b>13,646</b>

The loans to joint ventures consist of loans to AO Micos.

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

The restricted accounts pledged as collateral for guarantees amount to EUR 642 thousand. The terms correspond to the standard terms for each contract partner. The restricted account pertains to the InterContinental hotel in Warsaw (see section 9.1.3.). As at 31 December 2017, there were additional restricted accounts in connection with the purchase of an office property in Krakow, 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	
	31/12/18	31/12/17	31/12/18	31/12/17
<b>Composition:</b>				
Differences in property, plant, and equipment and investment properties	41	1,176	–	–
Temporary differences in connection with shares	9,451	10,014	–	–
Measurement differences in the current assets	1,335	1,494	1,334	1,494
Differences in the tax treatment of pensions and other long-term employee benefits	426	372	72	227
Measurement differences in the liabilities and provisions	359	349	56	11
Capitalisation of tax loss carryforwards	29,284	27,093	7,510	8,465
Impairment of deferred tax assets	–	–	–	(1,030)
	<b>40,895</b>	<b>40,498</b>	<b>8,972</b>	<b>9,167</b>
Offsetting with the same tax authority			(7,020)	(7,245)
			<b>1,952</b>	<b>1,922</b>

	Deferred tax liabilities	
	31/12/18	31/12/17
<b>Composition:</b>		
Differences in property, plant, and equipment and investment properties	(14,350)	(12,632)
Measurement differences in the current assets	(5)	200
Measurement differences in the liabilities and provisions	(565)	(386)
	<b>(14,920)</b>	<b>(12,817)</b>
Offsetting with the same tax authority	7,020	7,245
	<b>(7,900)</b>	<b>(5,572)</b>

	Deferred tax claims		Deferred tax liabilities	
	2018	2017	2018	2017
<b>Development:</b>				
As at 1 January	1,922	1,931	(5,572)	(3,295)
Change recognised in other comprehensive income, thereof:	(270)	(672)	570	582
<i>Foreign currency translation</i>	(243)	(694)	570	582
<i>Remeasurement of financial assets</i>				
<i>available for sale</i>	–	22	–	–
<i>measured at fair value through other comprehensive income</i>	(27)	–	–	–
Change recognised in profit or loss for the period	300	664	(2,898)	(2,859)
<b>As at 31 December</b>	<b>1,952</b>	<b>1,922</b>	<b>(7,900)</b>	<b>(5,572)</b>

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

## 7.6. Contract assets

Due to the initial application of IFRS 15, contract assets are reported separately from trade receivables and other receivables. Accordingly, an amount of EUR 5,646 thousand was reclassified from the purchase price claims relating to property and share sales to the contract assets on 1 January 2018 (see section 3.2.1.) because the claim was not solely to be settled over time.

After the final purchase price for the partial sale of the hotel portfolio on 31 May 2017 was calculated, the contract assets were reclassified to the trade receivables and other receivables. All of the associated purchase price claims were received as agreed in the financial year.

## 7.7. Trade and other receivables (current)

	31/12/18	1/1/2018	31/12/17
<b>Composition:</b>			
Claims related to property and share sales	–	–	5,647
Contract assets	–	5,647	–
Trade receivables	728	570	570
Receivables due from joint ventures	35	214	214
Receivables due from related parties	15	32	32
<b>Subtotal of contract balances according to IFRS 15</b>	<b>777</b>	<b>6,463</b>	<b>6,463</b>
Other current receivables and assets	463	390	390
Deferred expenses	167	216	216
Receivables from tax authorities	3,324	5,973	5,973
Advance payments made	1,067	421	421
Furnished collateral	860	–	–
	<b>6,659</b>	<b>13,463</b>	<b>13,463</b>

Please refer to section 7.6. for information about the claims related to property and share sales recognised on the reporting date for the prior year.

The receivables from tax authorities primarily relate to not yet reimbursed input taxes in connection with construction activities. In addition to the developments, the prior-year figure included input taxes from the purchase of an office building in Krakow and from the intragroup transfer of a property in St. Petersburg.

The advance payments made are related to the preparation of a property development in St. Petersburg.

The furnished collateral pertains to a purchase agreement for a property in Germany that was concluded at the end of 2018. The contract closed in the spring of 2019 (see section 9.4.). According to the contract, the seller would have had the right to retain a contractual penalty amounting to 2 per cent of the purchase price from the collateral if the closing had not taken place for reasons attributable to Warimpex. The collateral will be deducted from the purchase price when the contract closes.

The maturity structure of trade receivables is as follows:

	31/12/18	31/12/17
<b>Composition:</b>		
Neither overdue nor bad debt provision made	663	527
30 days overdue, no bad debt provision made	34	21
60 days overdue, no bad debt provision made	19	12
90 days overdue, no bad debt provision made	5	9
120 days overdue, no bad debt provision made	–	–
>120 days overdue, no bad debt provision made	8	2
Impaired receivables	122	255
	<b>849</b>	<b>825</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.

### 7.8. Financial assets measured at fair value through other comprehensive income

Due to the provisions of IFRS 9, the category of available-for-sale financial assets was eliminated as of 1 January 2018. Assets in this category were recognised as financial assets measured at fair value through other comprehensive income from 1 January 2018 (see also the information in section 3.2.1.).

	31/12/18	31/12/17
<b>Development:</b>		
Carrying amount on 1 January	6,146	6,816
Disposals due to sales	–	(583)
Remeasurement	109	(87)
<b>Carrying amount on 31 December</b>	<b>6,255</b>	<b>6,146</b>

This item includes a 9.88 per cent interest in Palais Hansen Immobilienentwicklung GmbH. 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.

The disposal due to sales in the prior year pertains to the 6 per cent stake in UBX 2 Objekt Berlin GmbH.

Further information about measurement, material inputs, and sensitivity can be found in sections 8.1.2. to 8.1.4.

### 7.9. Cash and cash equivalents

	31/12/18	31/12/17
<b>Composition:</b>		
Cash on hand	2	20
Bank balances	8,454	22,829
	<b>8,456</b>	<b>22,849</b>

This item consists of cash and cash equivalents.

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



## 7.10. Equity

### 7.10.1. 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 227,480 treasury shares (2017: 66,500) at an average price of EUR 2.09

per share (2017: EUR 4.53 per share).

The weighted average number of shares in free float between 1 January and 31 December 2018 was 53,925,324 (2017: 53,933,500).

	2018	2017
	Shares	Shares
<b>Breakdown of shares and potential shares:</b>		
Shares 1 January to 31 December	54,000,000	54,000,000
Less weighted treasury shares	-74,676	-66,500
<b>Weighted average number of shares</b>	<b>53,925,324</b>	<b>53,933,500</b>
<b>Dilution effect of potential shares:</b>		
Approved shares convertible bond 04/2013–11/2018 weighted	806,697	3,282,828
Approved shares convertible bond 06/2014–06/2017 weighted	–	1,092,237
Weighted approved shares from convertible bonds	806,697	4,375,065
<b>Weighted average number of shares adjusted for the dilution effect</b>	<b>54,732,021</b>	<b>58,308,565</b>

	2018	2017
	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	5,890	40,542
Adjustment related to potential conversion of convertible bonds	362	455
Diluted	6,252	40,997
<b>Earnings per share undiluted = diluted (in EUR)</b>	<b>0.11</b>	<b>0.75</b>

There were no potential approved shares from convertible bonds outstanding on the reporting date (2017: 3,282,828).

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 2018 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 loss for the financial year of EUR 2,402 thousand. The net profit amounted to EUR 10,755 thousand as at 31 December 2018. The Management Board will propose to the Annual General Meeting that an amount of 6 cents per share be distributed in the form of a dividend as in the prior year and that the remaining amount of EUR 7,528 thousand be carried forward to the next accounting period.

On 14 June 2018, the Annual General Meeting approved the disbursement of a dividend in the amount of EUR 0.06 per dividend-bearing share. The dividend for 2017 totalled EUR 3,236 thousand and was paid out in June 2018.

### 7.10.2. 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 30.9 per cent on the reporting date (2017: 31.5 per cent), and was within the target range.

	31/12/18	31/12/17
Determining the consolidated equity ratio:		
Equity	90,147	83,481
Borrowings	201,865	181,773
Equity and liabilities	292,012	265,254
<b>Equity ratio in %</b>	<b>30.9%</b>	<b>31.5%</b>

### 7.10.3 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 5.4.). 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. This reserve was eliminated on 1 January 2018 due to the first-time application of IFRS 9 (see the information in item 3.2.1.). The amount reported as at 31 December 2017 was reclassified within the equity to the retained earnings on 1 January 2018.

#### 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. There was no cash flow hedge during the financial year.

#### 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 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>
<b>Changes in 2018:</b>						
As at 31 December 2017	1,239	(2,663)	241	–	(784)	(1,967)
Reclassification on 1 January 2018	–	–	(241)	–	–	(241)
As at 1 January	1,239	(2,663)	–	–	(784)	(2,208)
Other income/expenses	–	(2,157)	–	–	(427)	(2,584)
Other comprehensive income from joint ventures	–	(18)	–	–	–	(18)
Total other comprehensive income	–	(2,176)	–	–	(427)	(2,602)
<b>As at 31 December</b>	<b>1,239</b>	<b>(4,839)</b>	<b>–</b>	<b>–</b>	<b>(1,210)</b>	<b>(4,810)</b>

The other comprehensive income allocable to non-controlling interests in the amount of minus EUR 132 thousand (2017: minus EUR 270 thousand) pertains to currency translation to which deferred taxes of minus EUR 6 thousand (2017: minus EUR 45 thousand) apply.

#### 7.11. 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.

##### 7.11.1. Convertible bonds

	31/12/18	31/12/17
<b>Composition:</b>		
Convertible bond 11/2015–11/2018	–	4,543
	–	<b>4,543</b>
<i>thereof current</i>	–	4,543

The convertible bond 11/2015–11/2018 was redeemed early in two tranches in the spring of 2018.

**7.11.2. Other bonds**

	31/12/18	31/12/17
<i>Composition:</i>		
Bond 12/2015–12/2018	–	1,603
Bond 05/2017–05/2020	5,560	5,357
Bond 09/2018–09/2025	9,009	–
	<b>14,569</b>	<b>6,960</b>
<i>thereof non-current</i>	14,493	5,357
<i>thereof current</i>	76	1,603

The bond 12/2018 was redeemed in December 2018 as agreed.

In September 2018, a bond with a nominal value of EUR 9,000 thousand (bond 09/2018–09/2025) was issued. The bond will be redeemed annually starting in September 2021 with an amount of EUR 1,800 per year; the coupon is 2.79 per cent and is payable in arrears on an annual basis.

The bond 05/2017–05/2020 originally had a term of two years. During the reporting period, this term was extended by a year until 05/2020. The associated coupon is due upon maturity.

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

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

	31/12/18	31/12/17
<i>Breakdown of non-current loans:</i>		
Project loans	93,731	68,015
Loans from non-controlling interests	40,178	52,785
Other loans	1,110	760
	<b>135,019</b>	<b>121,560</b>
<i>Breakdown of current loans:</i>		
Project loans	5,430	4,883
Other loans	1,137	1,401
Overdraft and borrowing facilities	3,194	501
	<b>9,761</b>	<b>6,784</b>
<b>Total loans</b>	<b>144,780</b>	<b>128,345</b>

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

**7.11.4. 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 (section 7.11.1.), other bonds (section 7.11.2.), and other financial liabilities (section

7.11.3.) as well as financial liabilities in connection with disposal groups classified as available for sale that are reported according to IFRS 5 (section 5.4.), can be broken down as follows:

	Financial liabilities (IFRS 5)	Project loans	Working capital loans	Bonds, convertible bonds	Loans from minorities and others	Total
<b>Changes in 2017:</b>						
As at 1 January	91,977	57,785	8,169	51,442	52,637	262,009
Borrowing/accumulated interest	–	20,872	4	5,239	701	26,815
Repayment	(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>
<b>Changes in 2018:</b>						
As at 1 January		72,898	501	11,503	54,945	139,847
Borrowing (cash flow)		37,687	2,691	9,000	332	49,711
Repayment (cash flow)		(8,991)	–	(6,123)	(301)	(15,415)
Change in accumulated interest		167	2	201	(1,717)	(1,348)
Changes in foreign exchange rates		(2,746)	–	(33)	(27)	(2,806)
Other changes		145	–	22	(10,807)	(10,640)
<b>As at 31 December</b>		<b>99,161</b>	<b>3,194</b>	<b>14,569</b>	<b>42,425</b>	<b>159,349</b>
<i>thereof current (due &lt; 1 year)</i>		<i>5,430</i>	<i>3,194</i>	<i>76</i>	<i>1,137</i>	<i>9,837</i>
<i>thereof non-current (due &gt; 1 year)</i>		<i>93,731</i>	<i>–</i>	<i>14,493</i>	<i>41,288</i>	<i>149,512</i>

Financial liabilities in a total amount of EUR 99,576 thousand (2017: EUR 73,245 thousand) are secured by mortgages on land and buildings. Of this, EUR 12,279 thousand (2017: EUR 17,272 thousand) pertain to property, plant, and equipment and EUR 87,297 thousand (2017: EUR 55,973 thousand) to investment properties.

The borrowing under project loans pertains to the financing of construction activities for office properties in Łódź and Krakow and the purchase of office properties in Krakow and Budapest (see section 7.2.1.).

An amount of EUR 10,800 thousand of the loans from minorities (non-controlling interests) was reclassified to equity in the financial year.



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

For the prior year, 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.

	31/12/18	31/12/17
<b>Interest on financial liabilities:</b>		
thereof fixed rate	98,162	114,433
thereof variable rate	61,187	25,414
	<b>159,349</b>	<b>139,847</b>
<b>Per cent share:</b>		
thereof fixed rate	62%	82%
thereof variable rate	38%	18%

	2018	2017	
<b>Range of the variable interest for:</b>	<b>Base rate</b>	<b>Premium</b>	<b>Premium</b>
• Bonds	6M WIBOR	n/a	5–6.4%
	6M EURIBOR	n/a	3.75%
• Overdraft/borrowing facilities	3M EURIBOR	2.25%	2.1–3.75%
• Project loans	3M EURIBOR	2.4–2.95%	2.7–2.95%
	3M WIBOR	3.50%	3.50%

The ranges for the financial liabilities with fixed interest rates held at the reporting date are between 2.5 per cent and 10.5 per cent (2017: 0.8 per cent and 10.5 per cent).

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

**7.12. Derivative financial instruments**

The derivative financial instruments reported as at 31 December 2017 pertained to conversion rights in connection with the issue of convertible bonds. There were no longer any derivatives related to these rights as at the reporting date because the relevant convertible bonds were redeemed during the financial year.

**7.13. Other non-current liabilities**

	31/12/18	31/12/17
<b>Composition:</b>		
Purchase price liabilities for properties	–	7,516
Payables due to joint ventures	4,110	3,874
Security deposits received	2,020	2,211
Security deposits	2,933	1,070
Trade liabilities	–	244
Operational leasing liabilities	8	16
	<b>9,071</b>	<b>14,931</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.

#### 7.14. 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.

##### 7.14.1. Provisions for pensions and other long-term employee benefits (section 3.13.)

	Voluntary pension benefit commitments	Legal entitlement to Severance benefits	Anniversary bonuses	Total
<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 gains or 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>
<b>Changes in 2018:</b>				
As at 1 January	955	1,292	109	2,357
Service costs	173	135	26	334
<b>Change recognised in personnel expenses</b>	<b>173</b>	<b>135</b>	<b>26</b>	<b>334</b>
Actuarial gains or losses from changed demographic assumptions	37	25	–	63
Other (restatements based on experience)	–	364	–	364
<b>Remeasurement recognised in other comprehensive income</b>	<b>37</b>	<b>389</b>	<b>–</b>	<b>427</b>
Interest costs	17	20	2	39
<b>As at 31 December</b>	<b>1,183</b>	<b>1,836</b>	<b>138</b>	<b>3,156</b>

The provisions are determined using the projected unit credit method. The salary increase is estimated at 2.75 per cent (2017: 2.75 per cent) for severance payments and for anniversary bonuses. As in the prior year, the annual increase for pension entitlements is 2 per cent–2.125 per cent. The calculations are based on a discount rate of 1.75 per cent (2017: 1.75 per cent). Fluctuation discounts were not applied. The calculation is based on the current version of AVÖ 2018-P für Angestellte (2017: AVÖ-2008-P). The average term of the obligations for pension benefits is 33.6 years (2017: 33.9 years) and for severance payments 9 years (2017: 7.6 years).

Three members of the Management Board had been awarded binding pension plans on the reporting date. These are reported in the transactions with Management Board members in section 9.3.2.5.

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

#### Sensitivity analysis 2017:

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)

#### Sensitivity analysis 2018:

Discount rate	+1 percentage point	(328)	(147)
Discount rate	-1 percentage point	472	178
Salary increase	+0,5 percentage points	111	83
Salary increase	-0,5 percentage points	(102)	(77)

#### 7.14.2. Other provisions

	Short-term	Long-term	Total
<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>
<b>Changes in 2018:</b>			
As at 1 January	1,884	–	1,884
Utilised	(54)	–	(54)
Additions	90	–	90
Releases	(967)	–	(967)
Exchange adjustments	(2)	–	(2)
<b>As at 31 December</b>	<b>950</b>	<b>–</b>	<b>950</b>

The allocation of the provision in the prior year was primarily connected to potential repayment claims for input taxes. Based on a new assessment as at the reporting date, the majority of this provision was released.

**7.15. Deferred liabilities**

	31/12/18	31/12/17
<b>Composition non-current:</b>		
Advanced rent received St. Petersburg	2,465	3,036
Other	157	180
	<b>2,622</b>	<b>3,215</b>

	31/12/18	31/12/17
<b>Composition current:</b>		
Advanced rent received St. Petersburg	166	191
Other	–	6
	<b>166</b>	<b>197</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.

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

	31/12/18	31/12/17
<b>Composition:</b>		
Trade liabilities	12,748	4,172
Other liabilities	3,242	3,721
Advance payments received – hotels	98	352
Advance payments received – other	277	467
Security deposits received	432	412
Security deposits	296	22
Liabilities to related parties	261	2,302
Payables due to joint ventures	463	1,028
	<b>17,815</b>	<b>12,475</b>

Other liabilities contain tax liabilities of EUR 1,799 thousand (2017: EUR 2,963 thousand), liabilities for social security contributions of EUR 124 thousand (2017: EUR 184 thousand), accruals for unconsumed compensated absences of EUR 208 thousand (2017: EUR 204 thousand), and liabilities from contractual penalties in the amount of EUR 468 thousand (2017: none).

The advance payments received in the Hotels segment are classified as contract liabilities according to IFRS 15 and represent future performance obligations. At the beginning of the financial year, the Company had performance obligations pursuant to IFRS 15 in the amount of EUR 352 thousand, which were satisfied during the reporting period. The resulting revenues are included in the hotel revenues (see section 6.1.). At the end of the financial year, the Company still had performance obligations in the amount of EUR 98 thousand that must be satisfied within one year.

The increase in trade liabilities is related to the Group's development and construction activities.

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 IFRS 9 or other IFRS		IFRS 13 level	Carrying amount 31/12/18	Fair value 31/12/18	Carrying amount 31/12/17	Fair value 31/12/17
<b>Assets – categories</b>						
IAS 40	Investment properties (developed)	3	173,392	173,392	103,613	103,613
IAS 40	Investment properties (in development)	3	38,355	38,355	51,150	51,150
IAS 19	Refund claims (other financial assets)		693	693	556	556
FAAC	Financial assets – fixed rate		7,522	6,277	9,400	8,057
FAAC	Other financial assets		969	969	3,043	3,043
AFS	Available-for-sale financial assets	3	–	–	6,146	6,146
FVOCI	Financial assets measured at fair value through other comprehensive income	3	6,255	6,255	–	–
	Other non-current assets		38,319		49,363	
	<b>Total non-current assets</b>		<b>265,505</b>		<b>223,272</b>	
FAAC	Receivables		2,100	2,100	6,853	6,853
FAAC	Cash and cash equivalents		8,456	8,456	22,849	22,849
IFRS 5	Financial assets in disposal groups	3	516	516	–	–
IAS 40	Investment property (IFRS 5)	3	900	900	–	–
	Other current assets		14,535		12,280	
	<b>Total current assets (including IFRS 5)</b>		<b>26,506</b>		<b>41,982</b>	
	<b>Total assets</b>		<b>292,012</b>		<b>265,254</b>	
<b>Liabilities – classes</b>						
FLAC	Fixed-rate bonds	3	14,493	14,408	5,357	5,423
FLAC	Fixed-rate loans	3	77,208	79,351	100,029	117,357
FLAC	Variable-rate loans	3	57,811	54,656	21,531	26,189
FLAC	Other non-current liabilities		7,162	7,162	12,729	12,729
FVTPL	Derivative financial instruments – conversion rights	3	–	–	929	929
IAS 19	Provisions for pensions		1,183	1,183	955	955
	Other non-current liabilities		14,404		12,392	
	<b>Total non-current liabilities</b>		<b>172,261</b>		<b>153,922</b>	
FLAC	Fixed-rate convertible bonds	3	–	–	4,543	4,676
FLAC	Variable-rate bonds	3	–	–	1,603	1,644
FLAC	Fixed-rate bonds	3	76	76	–	–
FLAC	Fixed-rate loans	3	6,385	6,469	4,505	4,910
FLAC	Variable-rate loans	3	3,376	3,364	2,279	2,287
FLAC	Other liabilities	3	15,285	15,285	8,304	8,304
IFRS 5	Financial liabilities related to disposal groups	3	345	345	–	–
	Other non-current liabilities		4,136		6,617	
	<b>Total current liabilities (including IFRS 5)</b>		<b>29,603</b>		<b>27,851</b>	
	<b>Total liabilities</b>		<b>201,865</b>		<b>181,773</b>	

		31/12/18	31/12/17
<b>Summary of carrying amounts by category for financial assets and liabilities:</b>			
FAAC	Financial assets at amortised cost) / (2017: LaR – Loans and receivables)	19,047	42,146
AFS	Available for sale – until 31/12/2017	–	6,146
FVOCI	At fair value through other comprehensive income – from 1/1/2018	6,255	–
FLAC	Financial liabilities at amortised cost) / (2017: FL – Financial liabilities)	(181,797)	(160,880)
FVTPL	At fair value through profit or loss	–	(929)
IFRS 5	Financial instruments related to disposal groups	171	–



**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 7.8. 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:

	2018	2017
<b>Change in assets:</b>		
Carrying amounts at 1 January	160,909	118,555
Additions	52,898	31,666
Disposals	–	(583)
Gains/losses on remeasurement in profit or loss	15,967	16,185
Other income/expenses	(10,873)	(4,914)
<b>Carrying amounts at 31 December</b>	<b>218,902</b>	<b>160,909</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. As in the prior year, the remeasurement result in the other comprehensive income primarily pertains to the gains/losses on currency translation and, to a limited extent, changes in the value of financial assets measured at fair value through other comprehensive income (2017: available-for-sale financial assets). These are unrealised value changes in each case.

	2018	2017
<b>Changes in liabilities:</b>		
Carrying amounts at 1 January	929	401
Additions	–	–
Disposals	–	–
Reclassification according to IFRS 5 (related to disposal groups)	–	–
Gains/losses on remeasurement in profit or loss	(929)	529
Gains/losses on remeasurement in other comprehensive income	–	–
<b>Carrying amounts at 31 December</b>	<b>–</b>	<b>929</b>

As in the prior year, the remeasurement result in the income statement involves value changes from conversion rights, which are recognised under the finance expenses. This remeasurement result was realised during the financial year. There were no financial liabilities measured at fair value as of the reporting date.

**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	Financial assets measured at fair value through other comprehensive income	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>2017</b>				
3	Available-for-sale financial assets	Exit yield	3.25%	3.25%
3	Available-for-sale financial assets	Cash flow (year one) in EUR '000	3,392	3,392
3	Non-current derivative financial instruments – conversion rights	Volatility	51.5%	51.5%
<b>2018</b>				
3	Financial assets measured at fair value through other comprehensive income	Exit yield	3.25%	3.25%
3	Financial assets measured at fair value through other comprehensive income	Cash flow (year one) in EUR '000	3,608	3,608

**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	Change of assumption	Change in total comprehensive income before taxes	
			2018	2017
3	<b>Available-for-sale assets (2017) and financial assets measured at fair value through other comprehensive income (2018):</b>			
	Exit yield	+ 50 bp	-1,256	-1,261
	Exit yield	- 50 bp	1,687	1,694
	Cash flow (year one)	+ 5%	636	638
	Cash flow (year one)	- 5%	-565	-567
3	<b>Derivative financial instruments – conversion right:</b>			
	Volatility of Warimpex share price in PLN	+ 5 percentage points	n/a	-82
	Volatility of Warimpex share price in PLN	- 5 percentage points	n/a	84

### 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 (until 2017) or IFRS 9 (from 2018)					Total
	FVTPL	LaR	AfS	FL	Hedge	
<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 – 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>
	FVTPL	FAAC	FVOCI	FLAC	Hedge	Total
<b>Financial year 2018:</b>						
Allocation/release of impairments		133				133
Interest and other financial revenue		1,037				1,037
Modification gain				1,287		1,287
Interest costs				(7,408)		(7,408)
Realised remeasurement result	900				–	900
Result from exchange rate changes				(11,528)		(11,528)
<b>Profit or loss for the period</b>	<b>900</b>	<b>1,170</b>	<b>–</b>	<b>(17,649)</b>	<b>–</b>	<b>(15,579)</b>
Unrealised remeasurement result – equity			109		–	109
<b>Net result from consolidated statement of comprehensive income</b>	<b>900</b>	<b>1,170</b>	<b>109</b>	<b>(17,649)</b>	<b>–</b>	<b>(15,470)</b>

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

Changes in the value of financial instruments measured at fair value through other comprehensive income (FVOCI) are reported in other comprehensive income without future reclassification to the income statement (see also the information regarding the new IFRS that must be applied in section 3.2.1.). Changes in the value of available-for-sale assets and the cash flow hedge that occurred in the prior year affected the other comprehensive income and would have been 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.

On the reporting date, about 62 per cent (2017: 82 per cent) of the Group's debt obligations were fixed-rate obligations 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 7.11.5.

**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>2017</b>				
3M EURIBOR	+50	(197)	-50	197
6M WIBOR	+50	(78)	-50	78
<b>2018</b>				
3M EURIBOR	+50	(719)	-50	719

**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:

	2018	2019	2020	2021	2022	more than five years	Total
<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>
<b>31/12/2018:</b>							
Project loans	1,776	2,652	2,831	2,897	2,964	46,333	59,452
Borrowing/overdraft facilities	1,094	–	–	–	–	–	1,094
Other	641	–	–	–	–	–	641
	<b>3,511</b>	<b>2,652</b>	<b>2,831</b>	<b>2,897</b>	<b>2,964</b>	<b>46,333</b>	<b>61,187</b>

**8.2.2. Currency risk**

The currency structure of financial liabilities in the Group breaks down as follows:

	RUB	PLN	EUR	Total
<b>31/12/2017:</b>				
In foreign currencies		(857,434)	20,060	
In EUR		(12,451)	147,488	<b>139,847</b>
<b>31/12/2018:</b>				
In foreign currencies		(779,115)	960	
In EUR		(9,805)	168,931	<b>159,349</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 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
<b>Sensitivity 2018:</b>				
Increase by 10%	–	(3,836)	(6,979)	(10,815)
Decrease by 10%	–	3,836	6,979	10,815
Increase by 20%			(13,957)	(13,957)
Decrease by 20%			13,957	13,957
Increase by 30%			(20,936)	(20,936)
Decrease by 30%			20,936	20,936

**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 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
<b>Sensitivity 2018:</b>				
Increase by 10%	(13)	(962)	(382)	(1,357)
Decrease by 10%	13	962	382	1,357
Increase by 20%			(765)	(765)
Decrease by 20%			765	765
Increase by 30%			(1,147)	(1,147)
Decrease by 30%			1,147	1,147



**8.2.3. Default risk**

Please refer to section 7.7. 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 7.4. 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 25,467 thousand (2017: EUR 21,234 thousand) as at the reporting date. Of this, EUR 9,837 thousand (2017: EUR 12,930 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, 14.7 per cent (2017: 15.3 per cent) of the liabilities were current.

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 bonds	251	12,030	3,751	16,032
Fixed-rate project loans	6,393	38,578	7,460	52,431
Variable-rate project loans	2,925	17,067	50,245	70,237
Fixed-rate borrowing/overdraft facilities	2,418	–	–	2,148
Variable-rate borrowing/overdraft facilities	1,110	–	–	1,110
Other loans and borrowings	1,187	114	48,980	50,282
Trade and other payables	15,285	7,162	–	22,447
<b>Total</b>	<b>29,299</b>	<b>74,951</b>	<b>110,436</b>	<b>214,687</b>

Information about the maturity analysis of the derivative liabilities can be found in section 7.12.

## [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 performance obligations (Investment Properties)

Prior to the reporting date, the Group concluded binding leases for office spaces that are yet to be completed in 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 3,589 thousand (2017: 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 the Jupiter office towers, St. Petersburg – loan	9.1.3.1.	8,214
Guarantees related to the sale of the angelo Prague	9.1.3.2.	5,400

	Explanation	Maximum outstanding amount
<b>Guarantees and bonds related to joint ventures:</b>		
Obligations related to Dream Castle Hotel, Paris	9.1.3.3.	15,640
Obligations related to the Magic Circus hotel, Paris	9.1.3.4.	6,626
Business guarantee related to the leasing of the InterContinental hotel, Warsaw	9.1.3.5.	3,208

##### 9.1.3.1. Guarantees related to the Jupiter office towers, St. Petersburg

The owner of the Jupiter 1 and 2 office towers is AO Micos, in which AO Avielen AG owns a stake of 44.02 per cent (see also

section 7.3.3.). 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 8,214 thousand as at the reporting date.

##### 9.1.3.2. 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. Based on the budgeted figures, an additional payment of EUR 52 thousand is to be expected for the 2019 financial year, and a provision has been formed for this payment.

##### 9.1.3.3. 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 15.6 million on the reporting date (2017: EUR 16.5 million).

##### 9.1.3.4. 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 6.6 million on the reporting date (2017: EUR 7.1 million).

##### 9.1.3.5. 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 3,208 thousand as at the reporting date and has a term lasting until 31 March 2035.

**9.1.4. Contingencies**

At one subsidiary, there is a risk that the tax authority will assess certain circumstances differently than the Company in the course of a tax audit. This could potentially lead to the reduction of tax loss carryforwards and to an additional tax payment of up to EUR 2,035 thousand.

**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 5.4.).

**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. Because the hotel operating company was sold after the reporting date in February 2019 (see section 9.4.), the figures presented below for the hotel only include the minimum lease payments until the end of February 2019.

*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.

	2018	2017
Expenses from minimum lease payments	1,119	1,672

	Total	Thereof up to 1 year	Thereof 1 to 5 years	More than 5 years
Future minimum lease payments as at 31 December 2017	7,991	1,772	3,771	2,448
Future minimum lease payments as at 31 December 2018	3,054	674	774	1,606

**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:

- Erzsébet office towers, Budapest
- B52 office building, Budapest
- Zeppelin office tower, St. Petersburg
- Bykovskaya multi-use building, St. Petersburg
- Mogilska 41 office building, Krakow
- Ogrodowa office building, Łódź

In addition, binding leases have already been concluded for an office building that is under construction in Krakow (see item 9.1.2.). Ten-year leases were concluded for the Zeppelin office tower without a right to early termination. Nevertheless, the tenant gave notice that it intends to terminate the lease early. Because the Sajka office building was sold in February 2019, the relevant future minimum lease payments are no longer taken into account as at 31 December 2018.

	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 2017	121,385	12,089	70,774	38,522
Future minimum lease payments, non-cancellable as at 31 December 2018	97,110	13,614	55,484	28,012

### 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), held 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. Franz Jurkowitzsch is the beneficiary.

##### Bocca Privatstiftung

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 178104v, Commercial Court Vienna), held 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. Georg Folian is the beneficiary.

##### Ambo GmbH

A-1210 Vienna, Floridsdorfer Hauptstrasse 1 (FN 328097x Commercial Court Vienna). Amber Privatstiftung and Bocca Privatstiftung each hold a 50 per cent stake in this company. Warimpex provides services to Ambo GmbH to a minor extent.

##### Georg Folian

Was Deputy Chairman of the Management Board of Warimpex Finanz- und Beteiligungs AG until 31 December 2017 and held 14.6 per cent of the shares in the Company on the reporting date.

##### Management Board:

###### Franz Jurkowitzsch

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.

###### Daniel Folian

Is Deputy Chairman of the Management Board of the Company and held less than 0.1 per cent of the shares of Warimpex Finanz- und Beteiligungs AG on the reporting date.

###### Alexander Jurkowitzsch

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 less than 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, manages three hotels that are operated by Warimpex (two of them as joint ventures) on behalf of Warimpex.

Vienna International Hotelmanagement AG qualified as a related party until 31 May 2017.

##### All subsidiaries and joint ventures:

Please refer to the information about subsidiaries in section 4. and to the information about joint ventures in section 7.3.

### 9.3.2. Related party transactions

#### 9.3.2.1. Transactions with Amber Privatstiftung

	2018	2017
Dividend disbursement	(346)	–
Charged interest	2	–
	<b>(344)</b>	–

#### 9.3.2.2. Transactions with Bocca Privatstiftung

	2018	2017
Dividend disbursement	(343)	–
Charged interest	2	–
	<b>(341)</b>	–

**9.3.2.3. Transactions with Ambo GmbH**

	2018	2017
Income from performance management	18	–
Receivable from Ambo GmbH as at 31 December	11	–

**9.3.2.4. Transactions with Georg Folian**

	2018	2017
Consulting fee	(3)	–
Clerical activities for Mr Folian	15	–
	<b>12</b>	–
Receivables from Mr Folian as at 31 December	12	–

**9.3.2.5. Transactions with Management Board members**

	2018	2017
Directors' remuneration 1 January to 31 December	1,497	3,486
Liabilities due to Management Board members as at 31 December	265	2,302
<i>The directors' remuneration breaks down among the Management Board members as follows:</i>		
Franz Jurkowitsch	405	923
Georg Folian (until 31/12/2017)	–	1,170
Daniel Folian (from 1/1/2018)	395	–
Alexander Jurkowitsch	377	725
Florian Petrowsky	320	668
	<b>1,497</b>	<b>3,486</b>
<i>The directors' remuneration breaks down as follows:</i>		
Current benefits	1,190	3,080
<i>thereof variable (bonus)</i>	265	2,027
Allocation to/Use of provision for severance payments	133	(290)
Severance payments	–	556
Allocation to provision for pension benefits	174	140
	<b>1,497</b>	<b>3,486</b>

The variable remuneration (bonus) for the Management Board amounts to 4.5 per cent (2017: 5 per cent) of the annual profit attributable to the shareholders of the parent.

Pension plans were in force for the Management Board members Daniel Folian, 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 § 27 Employees Act, or if a director resigns or terminates his or her work contract for no material reason. With regard 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).

**9.3.2.6. Transactions with Supervisory Board members**

	2018	2017
Supervisory Board fees	203	135
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	70.0	43.0
Thomas Aistleitner	54.5	34.0
Harald Wengust	33.0	21.0
William de Gelsey	24.2	18.5
Hannes Palfinger (until June 2016)	–	6.2
Hubert Staszewski (from June 2016)	21.3	12.3
	<b>203</b>	<b>135</b>

All Supervisory board members' fees are current liabilities.

Transactions with the members of the Supervisory Board all pertain solely to the parent company.



**9.3.2.7. Transactions with Vienna International****Hotelmanagement AG (VI)**

Remuneration for hotel management was provided on a variable basis and depends on the revenue and gross operating profit (GOP) of the respective hotel. The contracts with VI contained standard industry periods of notice for termination. Because VI only qualified as a related party until 31 May 2017, the relevant figures only pertain to the period from January to May 2017.

	2017
--	------

Transactions between Group companies (fully consolidated) and Vienna International AG:

Management fee charged 1 January to 31 May	(792)
Other procured services 1 January to 31 May	(929)
Fees charged by VI as at 31 December	n/a

Transactions between joint ventures (equity method) and Vienna International AG

Management fee charged 1 January to 31 May	(398)
Other procured services 1 January to 31 May	209
Fees charged by VI as at 31 December	n/a

**9.3.2.8. Transactions with joint ventures and associates)**

	2018	2017
Income from transactions with joint ventures	984	266
Expenses for joint ventures	(185)	(172)
Receivables due from joint ventures as at 31 December	7,557	9,614
Liabilities to joint ventures as at 31 December	(6,305)	(6,256)

The income from transactions with joint ventures primarily pertains to the allocation of costs to joint ventures and interest received from joint ventures. The expenses are interest expenses. 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**

In February 2019, Warimpex sold an office property in Budapest and the operating company for the Dvořák spa hotel in Karlovy Vary. These assets were reported as held for sale on the reporting date (see section 5.2.). These transactions are expected to result in a profit of roughly EUR 6,689 thousand and a cash inflow of EUR 8,271 thousand in the first quarter of 2019.

In April 2019, a hotel property along with a property reserve was acquired in Darmstadt for EUR 17,200 thousand. The Company plans to reopen the hotel soon and to develop the plot of land in the short to medium term.

Vienna, 25 April 2019



**Franz Jurkowitsch**  
Chairman of the  
Management Board



**Daniel Folian**  
Deputy Chairman  
of the Management Board



**Alexander Jurkowitsch**  
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, 2018, 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, 2018 and its financial performance for the year then ended in accordance with the International Financial Reportings 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

#### *Title*

#### **Valuation of investment property**

#### *Risk*

Warimpex Finanz- und Beteiligungs AG reports investment properties in the amount of EUR 211,747 thousand and a result from revaluation amounting to EUR 15,989 thousand in the consolidated financial statements as of December 31, 2018.

Investment properties are measured at fair value based on valuation reports from external 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 judgement, 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 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, capability and objectivity of the external valuation experts engaged by management
- 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

\* 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.

income, discount-/capitalization rate, vacancy rate), if available by means of comparison with market data

#### *Title*

#### **Valuation of property, plant and equipment**

#### *Risk*

Warimpex Finanz- und Beteiligungs AG reports property, plant and equipment in the amount of EUR 26,303 thousand and a result from reversal of impairment amounting to EUR 503 thousand in the consolidated financial statements as of December 31, 2018. 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 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 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, capability and objectivity 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 if available by means of comparison with market data

#### **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 judgement 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, 2018. We were appointed by the Supervisory Board on November 16, 2018. 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, 2019

ERNST & YOUNG  
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT M.B.H.

**Mag. Alexander Wlasto m.p.**   **Mag. (FH) Isabelle Vollmer m.p.**  
Certified Public Accountant   Certified Public Accountant





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



# Supervisory Board Report

## Fundamental aspects

The Supervisory Board of Warimpex Finanz- und Beteiligungs Aktiengesellschaft was regularly informed by the Management Board of all significant transactions, the development of business, and the business and financial situation of the Group and its equity interests in detailed verbal and written reports as well as at regular meetings during the 2018 financial year and properly 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 and coordinate the Company's strategic orientation, the future development of business, and the Company's risk management. One of the key topics at the Supervisory Board meetings was the provision of comprehensive, timely reports to the Supervisory Board on the economic and structural changes in Russia and Central and Eastern Europe and the associated discussion of the resulting 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 thoroughly monitored the Company's compliance with these rules and standards in the interest of continuing and further developing the Company's responsible and sustainable corporate governance. 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.

A total of five Supervisory Board meetings were held in financial year 2018, at which the necessary resolutions were adopted in each case. All members of the Supervisory Board fulfilled the minimum attendance requirements. In addition, one motion relating to the proposed resolutions for the Annual General Meeting was adopted by way of circular resolution in the form of a written vote. The Project Committee also held a meeting in connection with the acquisition of a conference hotel in Darmstadt. The circular resolution that was adopted by the Supervisory Board was again discussed in detail at the subsequent Supervisory Board meeting. The necessary

approvals were obtained for all transactions that are subject to approval pursuant to § 95 (5) Austrian Stock Corporation Act (Aktiengesetz, AktG).

## 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. An ad hoc committee can be formed if necessary. The resolutions that were adopted at committee meetings were again discussed in detail at subsequent Supervisory Board meetings.

## Audit Committee

In accordance with the law and the terms of reference of the Supervisory Board, the Supervisory Board has set up a permanent committee for reviewing and accepting the annual financial statements (consolidated 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, the Audit Committee reviewed the consolidated financial statements in cooperation with the auditor responsible for auditing the financial statements, 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 terms of reference of the Supervisory Board also sit on the Audit Committee.

Two Audit Committee meetings were held in financial year 2018.

## 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 terms of reference 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

terms of reference of the Supervisory Board also sit on the Project Committee.

Three motions were adopted by the Project Committee during the 2018 financial year: two related to the financing of AIRPORTCITY St. Petersburg and one related to the acquisition of a conference hotel in Darmstadt.

#### **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 terms of reference of the Supervisory Board also sit on the Personnel Committee.

No Personnel Committee meetings were held during the reporting period.

#### **Revised terms of reference for the Management Board and the Supervisory Board as well as revised criteria for the independence of Supervisory Board members**

The Supervisory Board approved the revised versions of the terms of reference for the Management Board, the terms of reference for the Supervisory Board, and the criteria for the independence of Supervisory Board members.

#### **Opening of a new operating credit line**

The Supervisory Board approved the opening of an operating credit line.

#### **Bond issue/Treasury share purchase**

In September 2018, Warimpex floated the bond 09/25 as a private placement with a term of seven years and a nominal value of EUR 9 million. An ad hoc Supervisory Board committee adopted the approval resolution.

The Management Board of the Company passed a motion to make use of its authorisation to acquire shares in the Company in the form of the repurchase of own shares without a specified purpose pursuant to § 65 (1) 8 AktG (buyback programme), subject to the approval of the Supervisory Board. An ad hoc Supervisory Board committee consisting of the Supervisory Board members Günter Korp, Thomas Aistleitner, and Harald Wengust discussed the share buyback in detail and adopted the approval resolution on 19 November 2018. The Supervisory Board approved this buyback programme through the ad hoc committee that was formed for this purpose on 19 November 2018. The buyback programme began on 26 November 2018

and is scheduled to run until the end of August 2019. The maximum volume for the repurchase of shares in the Company is up to 1,000,000 shares. The acquisition price range was set at a maximum of 30% below and 10% above the average unweighted closing share price on the Vienna Stock Exchange for the 10 trading days preceding the buyback. As at 31 December 2018, a total of 160,980 shares had been purchased at an average price of EUR 1.07.

#### **Annual financial statements for 2018**

The annual financial statements, the management report, the consolidated financial statements, and the group management report for the year ended 31 December 2018 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 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 12 April 2019 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 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 2019.

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.

Vienna, April 2019

**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 2019



**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



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





**Avior Tower 1**  
St. Petersburg, RU



# Financial Calendar

2019

**26 April 2019**

*Publication of the Annual Report for 2018*

**24 May 2019**

*Verification deadline*

**28 May 2019**

*Publication of the results for the first quarter of 2019*

**3 June 2019**

*Annual General Meeting*

**6 June 2019**

*Ex-dividend date*

**7 June 2019**

*Dividend record date*

**12 June 2019**

*Dividend payment date*

**27 August 2019**

*Publication of the results for the first half of 2019*

**29 November 2019**

*Publication of the results for the first three quarters of 2019*

**PUBLICATION DETAILS:**

Warimpex Finanz- und Beteiligungs AG  
Floridsdorfer Hauptstraße 1, A-1210 Vienna  
[www.warimpex.com](http://www.warimpex.com)

Investor Relations: **Daniel Folián** 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.



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