ANNUAL REPORT **2005**

warimpex

Key figures of Warimpex Group (IFRS)

EUR '000	**2005**	2004*
Revenues – segment Hotels & Resorts	35,315	31,803
Revenues – segment Development & Asset-Management	4,997	20,797
Revenues total	*40,312*	*52,600*
Gains from the sale of project companies	38,330	0
Operating performance	*79,637*	*53,197*
EBITDA	49,292	15,260
EBIT	43,959	9,006
Profit before tax	35,273	3,468
Profit for the year	33,670	5,031
Net cash flows from operating activities	11,731	17,486
Cash flows from investing activities	(8,383)	(28,983)
Cash flows from business combinations and the sale of disposal groups	(26,904)	(186)
Cash flows from financing activities	(15,792)	11,483
Equity and liabilities	264,749	195,480
Equity	79,572	32,458
Issued capital	15,000	6,250
Equity ratio	30.1%	16.6%
WACC	4.7%	4.5%
Capital Employed	173,670	156,821
ROCE	23.5%	5.8%
EVA	32,624	2,107

EUR		
Earnings per share	2.28	0.34
Proposed dividend per share	0.13	0.80
Payout ratio	5.9%	99.4%
Number of shares	15,000,000	6,250,000

*) Adjustment of previous year's figures (see Notes)

Contents

WARIMPEX – CEE Real Estate Development & Investment

We are a private real estate development and investment group with a clear focus on hotel properties in Central and Eastern Europe. We believe in quality, sustainability, and strong growth.

Our objective is to become the leading hotel property group in "new Europe".

Bodies of the Company

Management Board

Georg Folian

Franz Jurkowitsch

Supervisory Board

Franz Burkert
since 9 February 1994

Victor Igalffy-Igally
since 9 February 1994

Heinrich Geyer
since 13 September 2000

Gert Hoppe
since 10 January 2001

Auditors

Ernst & Young Wirtschaftsprüfungsgesellschaft m.b.H.

Helmut Maukner
Alexander Wlasto

Victoria Wirtschaftstreuhand GmbH

Ulrike Watzek

Foreword by the Management Board

For Warimpex, the 2005 financial year was successful in two respects. We are pleased to report significant increases of all important performance indicators. We managed to increase operating performance by about 50 percent and profit of the year was marked by a six-fold increase. Further, we have concluded restructuring of our Group into a flexible, growth-oriented unit and are now effectively structured to face the opportunities and challenges of the years ahead.

The most important step in this process was the acquisition of Warimpex Leasing AG by Warimpex Finanz- und Beteiligungs AG and its consolidation into the Warimpex Group.

Our target in the years ahead is to make Warimpex the leading real estate development and investment group in hotel properties in "new Europe". Our focus is the development and management of hotels in Poland, the Czech Republic, and Hungary. In addition, we are developing other real estate projects such as office buildings, shopping centers, or logistics real estate. We consider Warimpex a "hybrid" real estate company that implements development of projects, then operates and manages these projects for a number of years, and then sells the property depending on the market situation and maturity as soon as highest conceivable value creation is achieved during this process.

Based on these premises, we are striving towards further growth and have resolved to double the number of our hotel rooms in the medium term. We want to achieve this objective by driving the "Le Palais" brand in the segment of five-star hotels. In the segments of three-star-plus and four-star hotels we are not only going to expand in the home markets Poland, Czech Republic, and Hungary but also in secondary urban centers. Further, we are also planning to expand into entirely new markets such as Slovakia, Romania, Bulgaria, Russia, and the Ukraine. We are also developing a concept for an economy hotel chain to meet the strong demand for standardized accommodations without additional services.

In the growth phase ahead we are going to continue to place emphasis on long-term partnerships, especially on the close cooperation with hotel managers Vienna International und InterContinental as well as UBM AG, with whom we have already successfully developed and implemented numerous projects.

We would like to express our thanks to all partners for their cooperation, and especially to all our staff members at Warimpex and its subsidiaries, without whose hard work and dedication we would not be where we are today.

Franz Jurkowitsch Georg Folian

Group Management Report
for the year ended 31 December 2005

I. The Group's business

The Warimpex Group has been operating in the markets of the new EU accession countries for over 46 years now. During the 1980s, the Group's business focus has shifted from merchandise trading towards the development, the ownership and the operation of commercial property such as hotels, office buildings and other commercial buildings. Warimpex operates its hotels on its own; however, hotel management is outsourced to other companies, primarily to Vienna International Hotelmanagement AG, Vienna.

In addition to owning and operating commercial real estate, the Warimpex Group generates a significant amount of its profits from the development, the operational optimisation and the sale of commercial real estate. Generally, these "Group-assets" are held and operated within the Group for a period of three to five years in order to be sold upon optimisation of their operating revenues.

II. Economic conditions and corporate development

In the last decades, the traditional markets of the Warimpex Group have undergone substantial changes and have seen very dynamic development. In order to keep pace with this development, both specific expertise and managerial flexibility towards quickly realising new opportunities are required.

The quality team of the Warimpex management is the key to the Group's success. There is virtually no fluctuation of key employees. Each of them, as individual and in a team, has long experience and specific knowledge as well as the necessary authority and understanding of different management cultures. Despite the Group's strong earnings position there is no complacency at the Warimpex Group. Changing conditions and new market potentials are seen as a challenge and the Warimpex team will be enlarged in order to sustain growth with managerial capacity.

Czech Republic

The Warimpex Group owns and operates the five-star hotels “Savoy”, “Palace” and “Le Palais” in Prague, all of which are members of the “Leading Hotels of the World”. During the reporting year, the hotel “Le Palais” was awarded the “Leaders Club Gold Award 2005”.

In the four-star hotel-segment, the Group owns and operates the health resort “Dvořák” in Karlovy Vary, the Hotel “Diplomat” in Prague and – until September 2005 – the designer-hotel “Andel’s Hotel & Suites Praha”. “Andel’s Hotel & Suites Praha” had been developed by Warimpex and was so well established in the market after only three years that it was sold to an institutional investor in 2005 due to its excellent earnings position.

In addition to the hotels in Prague and Karlovy Vary, the Warimpex Group holds a 50% share in the entertainment and shopping mall “Velký Špalíček” in Brno.

Economic conditions

The Czech economy is experiencing strong growth. Large international groups intend to set up industrial facilities and international investment into the country is stronger than ever before. Prague, the “Golden City” is a preferred destination of the international film industry and an important location for congresses and conferences. The second step in the expansion of Prague airport was recently finished and passenger volume expected for the year 2006 is 14 million passengers.

This dynamic development in the tourism sector also leads to increased competition and competitors have plans for new hotels. The management of the Warimpex Group’s hotels is ready for the challenges of the new situation thanks to its long-standing market experience, and will primarily focus on providing guests with the best facilities and service.

As low cost carriers (LCC) in particular have discovered Prague as a destination, the Warimpex Group plans the development of a hotel-chain to target this relatively new customer potential. However, market analysts also see further potential for the three-, four- and five-star hotel category due to increased tourism activity.

Poland

The Warimpex Group owns an interest in the Hotel InterContinental Warsaw through the joint venture “Sienna Hotel Sp.z.o.o.”. The hotel opened in November 2003. Although in 2004 revenues were significantly below budget, in the reporting period occupancy ratios and subsequently also the average room rates were raised close to budgeted figures. It is anticipated that the hotel will be able to establish its position in the hotel market further in 2006.

The Warimpex Group operates the Spa Resort Hotel “Amber Baltic”, Międzyzdroje, as well as a 27-hole golf course, both located on the Baltic coast.

Economic conditions

The Polish economy is also experiencing dynamic economic growth. Krakow in particular came into the focus of tourism investment whereas the hotel market in Warsaw is seeing continuing increases in occupancy rates after a phase characterised by an oversupply in the four- and five-star segment.

Hungary

The Group owns four office buildings in Budapest, which are leased out under long-term leases and will be improved by development.

Economic conditions

In the past, the Warimpex Group has not developed any new hotel projects in Budapest because the market was characterised by overcapacity. New LCC destinations, which connect Budapest with Western European cities, have spurred growth in the Budapest hotel market. This tendency will continue and intensify in 2006.

By contrast, the market for office buildings has been developing well for a longer period. For 2006, there is a tendency towards slowly increasing office rent. The Warimpex Group will increase its exposure in office buildings in 2006.

III. Main business activities in the reporting year

Sale of “Andel’s Hotel & Suites Praha”

The Warimpex Group developed the designer hotel “Andel’s” in Prague from 2000 to 2002. The hotel started operations in the summer of 2002. In 2003, hotel operations were extended by the new product “Long-stay Apartments”.

Fortunately, the hotel “Andel’s” was accepted by the market in an exceptionally quick manner and was able to outperform expected revenues. During the reporting year, the hotel and the “Long-stay Apartments” were sold to an institutional investor through a share deal of the project-subsidiary.

The deal was fully negotiated in the third quarter of 2005 and the hotel left the Warimpex Group with a “cut-off balance” as of 30 September 2005.

Hotel project development

In addition to the consolidation of the Group’s strong market position in the capital cities of Prague and Warsaw, the Group increasingly started hotel project development in large cities that are either economically, industrially or touristically attractive. In March 2006, construction of the hotel “Andel’s” started in Krakow; the hotel “Angelo” in Prague was under construction during the reporting period and is anticipated to open on schedule on 12 June 2006. Preparations were initiated for hotel project developments in Plzen (CZ), Łódź (PL) and Katowice (PL). In previous years, the Group had invested in the office building “Leuchtenbergring” in Munich (DE) through a joint venture with the intention to develop a city hotel. Project development was on schedule in the reporting period and financed from leasing out the existing office building.

For 2006, the Group intends to engage in hotel investments, including the acquisition of a hotel in Krakow. For this hotel, a preliminary share purchase contract was concluded in December 2005. The hotel in question is the three-star hotel “Chopin” with a capacity of 220 rooms. The hotel will be acquired by the Group in a share deal; the acquired company owns rights to adjacent property, which provides further possibilities for development and expansion.

As regards the contractual obligations relating to this acquisition, reference is made to Note 24.8. of the consolidated financial statements.

Offices and other commercial buildings

At the end of the reporting year, negotiations on the sale of the entertainment and shopping mall in Brno (CZ) to an Austrian institutional investor entered an advanced phase. The sale shall be effected in the first half of 2006 by a share deal; the assets and the liabilities of the companies to be sold were reclassified as "held for sale" in accordance with IFRS 5 and are presented as "Assets/ liabilities of a disposal group classified as held for sale" within current assets.

Apart from the Multiplex Center in Brno, which is classified as "held for sale", the Group owns four office buildings in Budapest. Another office building in Budapest was acquired in December 2005 with the purchase contract becoming effective in the first quarter of 2006.

In June 2005, the Group acquired an unfinished office building of approx. 8,800 sqm in Warsaw from a bankrupt's estate through a 50% share in a joint venture. Further development was carried out on the office building in the reporting period; the completion as well as the inception of the lease is scheduled for 2006.

The Group will invest in an office building with approx. 4,250 sqm in Prague through its share in a 50% joint venture. Construction works on this office building have started in the reporting period and are due to be completed by the end of 2006.

Other project development

In the city of Białystok, located northeast of Warsaw, the Group has started development of a shopping center. At the end of the reporting period, a so-called "designation of areas" could be obtained. This project will be developed further until a building permit is obtained and then the Group will decide whether to continue to stay invested in the property or to sell the development.

In Saint Petersburg (RU), the course was set for a potential future development project. The preparatory works were on schedule in the reporting period and in 2006 the Group intends to invest in this project, which comprises a hotel and a business park, as a controlling shareholder.

IV. Analysis of the Group's business segments

The Group has defined the segment "Hotels & Resorts" and the segment "Development & Asset-Management" as primary segments (business segments). The segment "Hotels & Resorts" is clearly comparable with the hotels contained within the scope of consolidation of the Group. The segment "Development & Asset-Management" contains both profits resulting from the letting of investment property on the one hand and profits from the realisation of project development on the other hand. Realisation of projects involves the sale of the project, which is effected, depending on the specific project, through an asset deal or a share deal. Alternatively, projects can be realised in the form of a construction contract.

Results of the Segment "Hotels & Resorts"

For the reporting period	**2005/EUR**	2004/EUR	± %
Revenues for the Group	35,315,383	31,803,155	+11.0%
Number of hotel beds for the Group	1,628	1,662	(2.1%)
Group's GOP	17,248,194	15,045,492	+14.6%

During the reporting period, the Group's revenues as well as the GOP (= Gross Operating Profit, computed according to the "Uniform System of Accounts for Hotels") increased disproportionately stronger than the number of beds available, which was primarily due to a higher occupancy rate of the hotels. Changes in the capacity presented for the segment "Hotels & Resorts" result from the fact that hotel "Andel's" (CZ), which was sold in the reporting year is only included pro rata temporis, the newly fully consolidated hotel "Diplomat" (CZ) from 11 November 2005 (1 January 2005 through 10 November 2005 at a proportionate share of 30%, 2004: proportionate share 30%) as well as investment into hotel "Dvořák" (CZ).

Results of the Segment "Development & Asset-Management"

Comparison of the contribution of investment property to Group revenues and profits:

For the reporting period	**2005/EUR**	2004/EUR	± %
Revenues for the Group	2,580,223	2,542,663	+1.5%
Net leased space for the Group	14,331 sqm	14,331 sqm	
Net rental income for the Group*	2,065,493	1,991,864	+3.7%

*) Rent received plus operational expenses charged to tenants less operational expenses, less repair and maintenance expenses

In 2006, the Group will own a further 3,252 sqm of office space in Budapest due to the acquisition of an office building (refer to Note 29.1. of the consolidated financial statements). The completion of the office building "Apexim" in Warsaw (PL) is planned for the second part of 2006 and will contribute at its proportionate share to the Group's income.

The Company plans to sell its 50% interest in "Intercom a.s." Brno (CZ) and its 100% interest in "Tarabulus s.r.o." Brno (CZ) to an Austrian institutional investor in the first half of 2006. This will lead to a reduction of net leased space for the Group by 8,054 sqm.

Contribution of development projects and the sale of developments

A comparison of the income resulting from these business activities between the years is not easy since a development project usually requires several years before it can be sold. As a result, the annual profits of the Warimpex Group can be subject to fluctuations. Additionally, the form in which the project is sold has an impact on the presentation in the financial statements. Revenues from construction contracts are presented within “Revenues – Segment Development & Asset-Management”, revenues from a project development realised in an asset deal are presented within “other operating income” or “gains from the sale of a disposal group” and profits from the sale of shares are contained within “profits from the sale of disposal groups”. (Reference is made to Note 6.1. of the consolidated financial statements.)

In previous years, the following projects were realised: 2000 – sale of the owner-company of the office building “Warsaw Towers”; 2001 – sale of the project development subsidiary “Sienna Development Sp.z.o.o.”; 2003/2004 – development and construction of the hotel “Dream Castle”, Paris, which was accounted for as a construction contract; and in 2005 – sale of the subsidiaries owning and operating the hotel “Andel’s” Prague (Reference is made to Note 3.6. of the consolidated financial statements)

V. Indicators of the financial position and earnings position

The Group’s EBIT (Earnings before Taxes, Financial Income and Financial Expenses) for the reporting year amounts to TEUR 43,959 (2004: TEUR 9,006); profit for the year amounts to TEUR 33,670 (2004: TEUR 5,031).

		EUR
	Capital Employed 2005	**173,699,559**
3)	Average equity	55,014,645
1)	Average interest-bearing liabilities	129,549,880
	less cash and cash equivalents and	
2)	Investments a-f-s	(10,864,966)

	EUR	EUR
Average equity 2005		
Equity 1/1		32,457,753
Equity 31/12		79,571,536
Proposed dividend		(2,000,000)
Average		55,014,645

Average interest-bearing liabilities:			*Interest before taxes*	*after taxes*
in Austria (Tax 25%)	*5,095,405*	*3.93%*	*362,754*	*272,065*
in the Czech Republic (Tax 26%)	*86,872,999*	*67.06%*	*3,585,733*	*2,653,443*
in Hungary (Tax 16%)	*3,968,246*	*3.06%*	*196,151*	*164,766*
in Poland (Tax 19%)	*18,983,371*	*14.65%*	*884,227*	*716,224*
in Germany (Tax 40%)	*10,730,994*	*8.28%*	*315,117*	*189,070*
in Luxembourg (Tax 30%)	*3,898,864*	*3.01%*	*236,724*	*165,707*
Total	*129,549,880*	*100%*	*5,580,705*	*4,161,275*

1) On a monthly basis; 2) on a quarterly basis; 3) on a yearly basis

In the reporting period, the cost of average financial liabilities employed amounted to 3.2% after taxes. In order to compute tax effects from the interest, average interest- bearing liabilities were classified according to local tax jurisdictions and the relevant tax rate was applied to determine tax savings from interest deductibility. The weighted average cost of capital employed (WACC) is computed from the average cost of the different sources of capital employed in relation to the Group’s financing structure. Management’s target for return on average equity employed by the Group is 12%; the average cost of provisions for pensions and other long-term employee benefits amounts to 2.2%. For other liabilities, actual interest cost, adjusted for a tax effect, was applied. For the computation of interest on average interest-bearing liabilities, all interest costs except for interest paid to related parties, minority interests and joint ventures were taken into account.

Return on Capital Employed (ROCE = NOPAT (= Net Operating Profit After Tax)/Capital Employed) amounts to 23.5% for the reporting year; Economic Value Added (EVA = Capital Employed * (ROCE – WACC)) amounts to TEUR 32,624 or 59.3% of average equity employed. This represents an increase in economic value of Euro 2 per share for the reporting period.

	WACC	**4.71%**
*	Total assets/EUR	230,114,467
	Average equity	23.91% share
	Average interest-bearing liabilities	56.3% share
*	Average provisions for pensions and long-term employee benefits	1.64% share

*) on a yearly basis

	EUR
NOPAT	**40,810,709**
EBIT	43,958,942
Taxes	(1,602,710)
Tax effect of financial results 25.4%	(1,545,523)

VI. Cash flows

Net cash flows from operating activities: TEUR 11,731 (2004: TEUR 17,486)

In the reporting period, the cash flow from a real estate development project was realised (sale of hotel “Andel’s”, Prague). The transaction was completed in the legal form of a share deal and the cash flows from this transaction are presented in “Cash flows from investing activities, business combinations and the sale of disposal groups”. By contrast, in 2004 a real estate development project (finalisation of Dreamcastle Hotel in EuroDisney, Paris) was accounted for as a construction contract and is therefore presented within cash flows from operating activities. The analysis of the Group’s business segment contains further information on the variance in comparison the previous reporting period.

Cash payments made for the acquisition of property, plant and equipment TEUR 7,754 (2004: TEUR 23,794)

Investments made in 2005	EUR
■ Start of construction of hotel “Angelo” Prague (at the Group’s proportionate share)	2,326,145
■ Construction and repairs for hotel “Dvořák”, Karlovy Vary	1,688,691
■ Acquisition of property and refurbishments in hotel “Diplomat” (relating to the Group’s share of 30% from January through October)	476,477
■ Current investment in FF&E replacements in hotels	411,877
■ Start of construction of office building Andel’s City Prague (at the Group’s proportionate share)	652,309
■ Start of reconstruction for office building “Apexim” Warsaw	391,727
■ Acquisition of real estate in connection with the development of a shopping center in Białystok (PL)	541,593
■ Changes in trade payables resulting from investment in prior periods	547,307
■ Investments made for projects relating to energy	572,007
■ Investment in furniture, fixtures and equipment as well as new project development	145,601
	7,753,734

Investments made in 2004	EUR
■ Hotel "Dvořák" Karlovy Vary (Expansion part "Dubrovnik")	2,849,750
■ Hotel "Andel's Suites" Prague (addition of "Long-Stay-Apartments")	14,960,739
■ Current investment in FF&E replacements in hotels	1,435,763
■ Acquisition of and investment in investment properties	3,203,612
■ Gas pipeline Poland	334,144
■ Hotel project development "Leuchtenbergring" in Munich (D)	742,609
■ Furniture, fixtures and equipment for administration	266,918
	23,793,535

Cash flows from business combinations and the sale of disposal groups: TEUR 26,904 (2004: TEUR –186)

Proceeds from the sale of disposal groups (less resulting deconsolidation of cash and cash equivalents of disposal groups) of TEUR 30,219 relate to the company "Andel Investment Praha s.r.o." and its subsidiary "Hotel Andel's Praha a.s.", which were sold in the reporting period.

Payments made for business combinations (less cash acquired in business combinations) in the amount of TEUR 3,315 relate to the business combinations described in Note 3.

Cash flows from financing activities: TEUR –15,792 (2004: TEUR 11,483)

The change of cash flows from financing activities is mainly due to reduced borrowing for investments in property, plant and equipment and the repayment of loans and borrowings. In the reporting period, debt service on all interest bearing liabilities was paid in due course.

VII. Other disclosures

As regards interest risks, currency risks, credit risks and liquidity risks as well as derivative financial instruments used by the Group, reference is made to the detailed analysis in Notes 27. and 28. of the consolidated financial statements.

VIII. Environment

In view of its long lasting experience as a project developer, the Group strives to act in a sustainable manner. The Group's developments have a significant impact on their surroundings in a social, ecological and economical context. A development is considered a success if it harmonically blends with its environment. The Group ensures that operation of its hotels is environmentally sound.

IX. Human capital

Optimally trained service personnel in the hotels and committed, experienced project-managers are the Group's human capital. Warimpex therefore places a lot of emphasis on the continuing education and training of its employees. We have set the highest standards of quality in service, and profound expertise as well as the capability to act in a flexible and service-oriented manner is required to achieve these standards. The Group demands highest standards from its managers. Top management considers the implementation of principles of open dialogue and equality on all hierarchical levels as self-evident.

X. Important risks and uncertainties facing the Group

As regards the segment "Hotels & Resorts", the Group is exposed to the general risks facing the tourism industry, such as business fluctuation, political risk or increasing fear of terrorist attacks. Another risk for the Group is the entrance of competitors in the Group's target markets, which would increase the number of beds available. In addition, there are currency and financing risks that may influence the ability to finance or sell properties.

As regards the segment "Development & Asset-Management", the Group is exposed to financing risk, currency risk, the risk of market entry and the risk that project development might be delayed. In addition, there is the risk of loss of rent, which would have negative effects on the operating cash flow and the fair value of the property.

Maintenance of the Group's real estate is a key factor for sustainable economic development of the Warimpex Group. Status reports and forecasts for the optimised maintenance of the Group's assets are delivered by asset and facility managers on a regular basis.

The Group invests in a limited number of countries and therefore has a higher risk that local implications, for example an oversupply of properties, could affect the Group's financial situation. As a real estate investor and developer, the Group is heavily dependent on the real estate market, so it could strongly be affected by price declines in the real estate market, which could also influence the finance of properties.

Due to its long lasting experience, the Warimpex Group has profound knowledge of the real estate markets in Central and Eastern Europe and is therefore in a position to set measures against risks. Nevertheless, the Group tries to identify risks early enough and to counteract with efficient control systems. Risk management is an integral part of every-day Group management. Clear responsibilities have been assigned for every area in order to identify risks quickly and to react effectively.

XI. Events after the balance sheet date

As regards events after the balance sheet date, reference is made to Note 29. of the consolidated financial statements.

XII. Outlook for 2006

The Group plans to consolidate its strong market position as hotel owner and operator in Prague and Warsaw. Furthermore, hotel project development is to be extended to regions strongly marked by tourism or industrialised areas in Poland, the Czech Republic and other Eastern European countries. Further hotels in line with the "Andel's" concept, as well as development of three-star "Economy Hotel Chain" and further development and acquisition of office properties are planned.

Vienna, 17 May 2006

Georg Folian m.p. Franz Jurkowitsch m.p.

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2005

	Notes	**2005/EUR**	2004/EUR Restated*
Revenues – Segment Hotels & Resorts		35,315,383	31,803,155
Revenues – Segment Development & Asset-Management		4,996,608	20,797,174
	6.1.	**40,311,991**	**52,600,329**
Changes of real estate projects under development or construction	16.	995,261	(1,000,587)
Gains from the sale of group subsidiaries	3.6.	38,329,924	–
Other income	6.1.	–	1,597,007
		39,325,185	**596,420**
Expenses for materials and services received	6.2.	(16,604,878)	(13,394,417)
Expenses for project development		(287,470)	(11,891,360)
Personnel expenses	6.3.	(9,362,314)	(8,316,982)
Depreciation and amortisation expense	10.–12.	(6,227,774)	(6,310,665)
Other expenses	6.4.	(4,090,797)	(4,333,713)
Negative goodwill recognised in income	3.	894,997	56,126
		(35,678,235)	**(44,191,010)**
Operating profit		**43,958,942**	**9,005,739**
Finance revenue	6.6.	1,752,137	1,032,483
Finance costs	6.5.	(10,438,561)	(6,570,003)
Profit before tax		**35,272,519**	**3,468,220**
Income tax expense	7.	(640,020)	(1,091,761)
Deferred taxes	7.	(962,690)	2,654,805
		(1,602,710)	1,563,045
Profit for the year		**33,669,809**	**5,031,264**
Attributable to:			
■ Equity holders of the parent		34,131,033	5,088,280
■ Minority interests		(461,224)	(57,016)
		33,669,809	**5,031,264**
Earnings per share:	9.		
basic, for the profit of the year attributable to ordinary equity holders of the parent		2.28	0.34

*) Regarding restatement of comparative amounts please refer to Note 2.3.

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2005

	Notes	**2005/EUR**	2004/EUR Restated*
ASSETS			
Non-current assets			
Property, plant and equipment	10.	189,132,670	143,072,786
Investment Properties	11.	5,028,903	17,021,062
Goodwill	12.	6,089,466	(1,150,591)
Acquired computer software	12.	209,100	318,206
Available-for-sale investments	14.	1,778,889	953,276
Other financial assets	15.	15,318,746	15,217,400
Deferred tax asset	7.	2,444,767	3,579,754
		220,002,541	**179,011,893**
Current assets			
Inventories	16.	2,121,429	705,195
Trade and other receivables	17.	4,746,419	10,759,637
Available-for-sale investments	18.	5,037,000	–
Other financial assets	28.	145,610	52,930
Cash and short-term deposits	19.	18,932,448	4,950,565
Assets of a disposal group classified as held for sale	8.	13,763,267	–
		44,746,173	**16,468,328**
TOTAL ASSETS		**264,748,714**	**195,480,221**

*) Regarding restatement of comparative amounts please refer to Note 2.3.

CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2005

	Notes	**2005/EUR**	2004/EUR Restated*
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Issued capital	9.	15,000,000	6,250,000
Retained earnings		46,958,117	25,507,147
Other reserves	20.	5,926,903	354,661
		67,885,020	32,111,808
Minority interests		11,686,516	345,944
Total equity		**79,571,536**	**32,457,753**
Non-current liabilities			
Interest-bearing loans and borrowings	21.	105,491,231	108,416,030
Provisions	22.	6,318,047	4,080,476
Other liabilities		245,707	657,327
Deferred tax liability	7.	13,434,777	2,324,610
		125,489,763	**115,478,443**
Current liabilities			
Trade and other payables	23.	14,955,320	8,062,044
Interest–bearing loans and borrowings	21.	32,039,914	35,429,666
Derivative financial instruments	28.	771,653	831,497
Income tax payable		332,054	822,683
Provisions	22.	1,579,906	2,398,134
		49,678,846	**47,544,025**
Liabilities directly associated with the assets classified as held for sale	8.	10,008,568	–
		59,687,415	**47,544,025**
TOTAL EQUITY AND LIABILITIES		**264,748,714**	**195,480,221**

*) Regarding restatement of comparative amounts please refer to Note 2.3.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

	2005/EUR	2004/EUR Restated*
Cash receipts from operating activities		
from the operations of hotels and rent received	38,947,456	35,225,047
from real estate development projects	3,274,481	18,677,865
Interest received	755,584	368,076
	42,977,520	**54,270,989**
Cash payments for operating activities		
for real estate development projects	(4,753,905)	(13,930,108)
for materials and services received	(14,553,393)	(13,036,422)
for personnel expenses and related expenses	(9,287,788)	(7,430,182)
for other expenses	(1,973,794)	(2,092,070)
Income taxes paid	(677,588)	(295,977)
	(31,246,468)	**(36,784,759)**
Net cash flows from operating activities	**11,731,052**	**17,486,230**
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	13,643	11,753
Purchase of property, plant and equipment	(7,753,734)	(23,793,535)
Proceeds from the sale of investment properties	–	52,471
Cash payments made/received relating to the purchase of investment properties	(318,091)	349,958
Purchase of available-for-sale investments	(18,663)	–
Purchase of computer software	(22,657)	(18,254)
Loans granted	(283,099)	(5,585,221)
	(8,382,602)	**(28,982,828)**
Cash flows from business combinations and the sale of disposal groups		
Proceeds from the sale of disposal groups	30,819,124	114,821
Proceeds from disposal groups sold in prior periods	–	323,178
Cash and cash equivalents of disposal groups	(599,672)	(117,607)
Payments made for business combinations	(5,139,052)	(754,761)
Cash acquired in business combinations	1,824,057	248,200
	26,904,456	**(186,168)**
Net cash flows from/used in investing activities and business combinations as well as the sale of disposal groups	**18,521,854**	**(29,168,996)**
Cash flows from financing activities		
Cash receipts from minority interests	55,627	76,755
Proceeds from loans and borrowings	13,060,183	35,861,633
Repayment of loans and borrowings	(18,384,526)	(14,405,677)
Interest and other finance cost paid	(5,523,365)	(5,003,042)
Dividends paid to equity holders of the parent	(5,000,000)	(5,000,000)
Dividends paid to minority interests	–	(46,632)
Net cash flows used in/from financing activities	**(15,792,080)**	**11,483,037**
Net increase in cash and cash equivalents	14,460,827	(199,730)
Net foreign exchange difference	181,501	417,871
Cash and cash equivalents at January 1	4,950,565	4,732,424
Cash and cash equivalents at December 31	**19,592,893**	**4,950,565**
Cash and cash equivalents at the year end can be analysed as follows:		
Cash and cash equivalents of the Group	18,932,448	4,950,565
Cash and cash equivalents of a disposal group classified as held for sale	660,445	–
	19,592,893	**4,950,565**

*) Regarding restatement of comparative amounts please refer to Note 2.3.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

	Issued Capital EUR	Retained Earnings EUR	Other reserves EUR	Total EUR	Minority interests EUR	Total Equity EUR
At 31 December 2003	**6,250,000**	**29,815,328**	**171,644**	**36,236,972**	**645,128**	**36,882,100**
Restatement according to Note 2.3.2	–	(4,396,076)	–	(4,396,076)	–	(4,396,076)
At 1 January 2004, restated	**6,250,000**	**25,419,252**	**171,644**	**31,840,896**	**645,128**	**32,486,024**
Foreign currency translation	–	–	125,481	125,481	3,358	128,839
(Deferred) tax effects of foreign currency translation	–	–	(2,922)	(2,922)	–	(2,922)
Fair value gains of available-for-sale investments	–	–	15,356	15,356	–	15,356
(Deferred) tax effects of available-for-sale investments	–	–	(3,523)	(3,523)	–	(3,523)
Net gains (losses) from hedging	–	–	80,000	80,000	–	80,000
(Deferred) tax effects from hedging	–	–	(19,200)	(19,200)	–	(19,200)
Other transfers	–	7,790	(12,174)	(4,384)	4,384	–
Total income and expense for the year recognised directly in equity	**–**	**7,790**	**183,017**	**190,807**	**7,742**	**198,550**
Changes in the scope of consolidation	–	–	–	–	(288,209)	(288,209)
Profit for the year (restated)	–	5,088,280	–	5,088,280	(57,016)	5,031,264
Losses of minority interests allocated against majority interests		(8,175)	–	(8,175)	8,175	–
Total income and expense for the year (restated)	**–**	**5,087,895**	**183,017**	**5,270,912**	**(329,307)**	**4,941,605**
Other changes in minority interests	–	–	–	–	76,755	76,755
Dividends paid to shareholders of the parent	–	(5,000,000)	–	(5,000,000)	–	(5,000,000)
Dividends of subsidiaries	–	–	–	–	(46,632)	(46,632)
At 31 December 2004, restated	**6,250,000**	**25,507,147**	**354,661**	**32,111,808**	**345,944**	**32,457,753**
Transfer of negative goodwill (Note 2.2.1.)	–	1,150,591	–	1,150,591	–	1,150,591

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2005

	Issued Capital EUR	Retained Earnings EUR	Other reserves EUR	Total EUR	Minority interests EUR	Total Equity EUR
At 1 January 2005, restated	**6,250,000**	**26,657,738**	**354,661**	**33,262,400**	**345,944**	**33,608,344**
Foreign currency translation	–	–	66,795	66,795	54,177	120,972
(Deferred) tax effects of foreign currency translation	–	–	(5)	(5)	–	(5)
Fair value gains of available-for-sale investments	–	–	17,422	17,422	–	17,422
(Deferred) tax effects of available-for-sale investments	–	–	(5,112)	(5,112)	–	(5,112)
Net gains (losses) from hedging	–	–	189,330	189,330	–	189,330
(Deferred) tax effects from hedging	–	–	(45,439)	(45,439)	–	(45,439)
Restatement of land and buildings (according to IFRS 3)	–	–	7,050,993	7,050,993	–	7,050,993
(Deferred) taxes on revaluation	–	–	(1,692,238)	(1,692,238)	–	(1,692,238)
Other transfers	–	1,473	(9,505)	(8,032)	9,505	1,473
Total income and expense for the year recognised directly in equity	**–**	**1,473**	**5,572,242**	**5,573,715**	**63,681**	**5,637,396**
Changes in the scope of consolidation	–	–	–	–	11,728,574	11,728,574
Profit for the year	–	34,131,033	–	34,131,033	(461,224)	33,669,808
Losses of minority interests allocated against majority interests		(16,502)	–	(16,502)	16,502	–
Total income and expense for the year	**–**	**34,116,004**	**5,572,242**	**39,688,246**	**11,347,533**	**51,035,778**
Other changes in minority interests	–	–	–	–	(6,961)	(6,961)
Capital increase out of retained earnings	8,750,000	(8,815,625)	–	(65,625)	–	(65,625)
Dividends paid to shareholders of the parent	–	(5,000,000)	–	(5,000,000)	–	(5,000,000)
Dividends of subsidiaries	–	–	–	–	–	–
At 31 December 2005	**15,000,000**	**46,958,117**	**5,926,903**	**67,885,020**	**11,686,516**	**79,571,536**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2005

1. Corporate information

Warimpex Finanz- und Beteiligungs AG (the "Company") is registered with the Commercial Court of Vienna under reg. No. FN 78485 w. Its registered address is A-1090 Vienna, Austria, Porzellangasse 4.

The consolidated financial statements of Warimpex Finanz- und Beteiligungs AG for the year ended 31 December 2005 are anticipated to be released for publication on 18 May 2006 in accordance with a resolution of the directors. Warimpex Finanz- und Beteiligungs AG is incorporated and resident in Austria. As of the reporting date, the Company is not publicly listed. The Company and its corporate predecessors have been privately held since 1959.

The main activities of the Company are described in section I of the Group Management Report.

2. Basis of preparation

2.1. General

The consolidated financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU. As a general rule, the consolidated financial statements have been prepared on a historical cost basis. The Group's reporting currency is the Euro. The consolidated financial statements are presented in full Euros except where otherwise indicated.

Independent auditors have audited the financial statements of all companies included in the consolidated financial statements that are material for the presentation of the Group's financial performance and cash flows. All financial statements have been examined for compliance with local accounting principles and been awarded unqualified opinions. Local financial statements were reconciled with IFRS and uniform Group Accounting Guidelines by the Group's accounting department in Vienna. All companies included in the consolidated financial statements prepare their financial statements with balance sheet date 31 December.

Note 25. contains a list of all subsidiaries and joint ventures that have been included in the consolidated financial statements.

2.2. Changes in accounting policies

Generally, accounting policies remained unchanged in comparison to the prior reporting period. However, the Company had to apply new and revised standards which are effective for financial years beginning on or after 1 January 2005.

The changes in accounting policies result from the adoption of the following new or revised standards:

2.2.1. IFRS 3 "Business combinations", IAS 36 (revised) "Impairment of assets" and IAS 38 (revised) "Intangible assets"

IFRS 3 has been applied for business combinations for which the agreement date is on or after 31 March 2004. Upon acquisition, the Group initially measures the identifiable assets, liabilities and contingent liabilities at their fair values as of the acquisition date, hence causing any minority interest in the acquisition to be stated at the minority proportion of the net fair values of those items.

According to IFRS 3 and IAS 36 (revised), goodwill may no longer be amortised systematically. Instead, goodwill has to be tested for impairment on the level of cash-generating units every year (unless an event occurs during the year which requires goodwill to be tested more frequently). Since the Group did not present any (positive) goodwill as of 31 December 2004, changes in accounting policies did not have an effect of the consolidated financial statements.

In the reporting year, negative goodwill which had been amortised to income over the remaining average useful lives of the identifiable assets acquired in previous business combinations was derecognised with a corresponding adjustment to the opening balance of retained earnings in the amount of Euro 1,150,591 in accordance with the transitional rules of IFRS 3.

2.2.2. IFRS 5 "Non-current Assets Held For Sale and Discontinued Operations"

The Group has applied IFRS 5 prospectively in accordance with the transitional provisions of IFRS 5, which has resulted in a change in accounting policy on "Groups of assets classified as held for sale".

The accounting policy change relates to two companies, which are presented in Note 14. The classification of the net assets of these companies as "held for sale" does not constitute a discontinuing operation.

2.3. Restatement of comparative amounts

2.3.1. The presentation of the consolidated balance sheet was changed to present assets and liabilities according to the current/non current distinction. Comparative amounts were restated accordingly.

2.3.2. The accounting policy for the Company's interest in the joint venture "Sienna Hotel Sp.z.o.o." was changed, leading to a restatement of comparative amounts:

Under a purchase commitment, the Company acquired a 33.33% interest (less shares held in trust for others = 26.67% share for the Group) in Sienna Hotel Sp.z.o.o. (formerly UBM Hotel Warszawa Sp.z.o.o.) at the end of 2003. Since there was no intention to hold the interest permanently in 2003 and 2004, Sienna Hotel Sp.z.o.o. was not consolidated in accordance with IAS 31.35 (a) [2000] and the shares were presented in financial assets.

Due to the IASB's improvements project, IAS 31.35 (a) [2000] was amended which led to a change in accounting policy. Since no transitional rules exist for the relevant changes of IAS 31, the change in accounting policy was accounted for retrospectively in accordance with IAS 8.

The profit for the year 2004 as presented in the comparative amounts has been reduced by Euro 813,136 due to the hotel's start-up losses. These start-up losses do not constitute an indication for an impairment under IAS 36.

The following table presents all modifications to comparative amounts, which result from the changes discussed in Note 2.3.1. and Note 2.3.2.:

	31/12/2004 as previously presented EUR	Changes in presentation 2.3.1. EUR	31/12/2004 reclassified EUR	± 2.3.2. as of 1/1/2004 EUR	± 2.3.2. effects on 2004 EUR	Restated comparative amounts 2004 EUR
ASSETS						
Non-current assets						
Property, plant and equipment	133,321,577	(17,021,062)	116,300,515	27,439,172	(666,901)	143,072,786
Investment properties	–	17,021,062	17,021,062	–	–	17,021,062
Intangible assets	(931,252)	(1)	(931,252)	123,583	(24,716)	(832,385)
Available-for-sale investments	–	6,889,526	6,889,526	(5,936,250)	–	953,276
Other financial assets	21,097,034	(3,543,803)	17,553,231	(1,711,798)	(624,034)	15,217,400
Deferred tax asset	–	3,341,872	3,341,872	(498,984)	736,865	3,579,754
	153,487,360		**160,174,955**	**19,415,723**	**(578,785)**	**179,011,893**
Current assets						
Inventories	673,491	–	673,491	36,750	(5,045)	705,195
Trade receivables	3,314,792	(831)	3,313,961	72,826	55,745	3,442,532
Other receivables	9,115,029	(1,849,785)	7,265,244	269,517	(164,726)	7,370,036
Cash and short-term deposits	4,615,301	–	4,615,301	498,355	(163,091)	4,950,565
Term deposits pledged as collateral	913,451	(913,451)	–	–	–	–
	18,632,064		**15,867,996**	**877,448**	**(277,116)**	**16,468,328**
Deferred tax assets	3,341,872	(3,341,872)	–	–	–	–
Prepaid expenses	581,655	(581,655)	–	–	–	–
TOTAL ASSETS	**176,042,952**		**176,042,952**	**20,293,171**	**(855,901)**	**195,480,221**

EQUITY AND LIABILITIES						
Equity attributable to the equity holders of the parent						
Issued capital	6,250,000	–	6,250,000	–	–	6,250,000
Retained earnings	30,716,359	–	30,716,359	(4,396,076)	(813,136)	25,507,147
Other reserves	354,661	–	354,661	–	–	354,661
	37,321,020		37,321,020	(4,396,076)	(813,136)	32,111,808
Minority interests	345.944	–	345,944	–	–	345,944
Total equity	**37,666,965**	**–**	**37,666,965**	**(4,396,076)**	**(813,136)**	**32,457,753**

	31/12/2004 as previously presented EUR	Changes in presentation 2.3.1. EUR	31/12/2004 reclassified EUR	± 2.3.2. as of 1/1/2004 EUR	± 2.3.2. effects on 2004 EUR	Restated comparative amounts 2004 EUR
Non-current liabilities						
Interest-bearing loans and borrowings	121,713,010	(18,672,199)	103,040,811	4,522,153	853,066	108,416,030
Provisions	9,618,217	(5,537,741)	4,080,476	–	–	4,080,476
Other liabilities	–	657,327	657,327	–	–	657,327
Deferred tax liability	–	2,324,610	2,324,610	–	–	2,324,610
	131,331,227		**110,103,224**	**4,522,153**	**853,066**	**115,478,443**
Current liabilities						
Trade payables	4,786,355	86,242	4,872,597	1,330,257	(599,007)	5,603,847
Other liabilities	2,083,955	294,991	2,378,946	22,724	56,527	2,458,197
Interest-bearing loans and borrowings	–	17,662,845	17,662,845	18,226,178	(459,356)	35,429,667
Derivative financial instruments	–	218,225	218,225	497,254	116,018	831,497
Income tax payable	–	822,683	822,683	–	–	822,683
Provisions and deferred income	174,450	2,143,017	2,317,467	90,681	(10,013)	2,398,134
	7,044,760		**28,272,763**	**20,167,094**	**(895,831)**	**47,544,026**
TOTAL EQUITY AND LIABILITIES	**176,042,952**		**176,042,952**	**20,293,171**	**(855,902)**	**195,480,221**

The modifications according to Note 2.3.2. as of 1 January 2004 result from the first-time consolidation of the joint venture “Sienna Hotel Sp.z.o.o.” and the resulting effects on the consolidated financial statements.

Restatement of income statement for 2004	31/12/2004 as previously reported EUR	± 2.3.2. effects for 2004 EUR	Comparative data for 2004 restated EUR
Revenues	50,359,394	2,240,935	52,600,329
Expenses (net of other income)	(36,013,355)	(1,326,697)	(37,340,052)
Depreciation, amortisation of goodwill	(5,111,994)	(1,142,545)	(6,254,538)
Finance revenue	1,119,802	(87,319)	1,032,483
Finance costs	(5,335,627)	(1,234,376)	(6,570,003)
Income taxes	(1,091,761)	–	(1,091,761)
Deferred taxes	1,917,940	736,865	2,654,805
	5,844,401	**(813,136)**	**5,031,264**
Attributable to equity holders of the parent	5,901,416	(813,136)	5,088,280
Attributable to minority interests	(57,016)	–	(57,016)
	5,844,401	**(813,136)**	**5,031,264**

Restatement of income statement for 2004	31/12/2004 as previously reported EUR	± 2.3.2. effects for 2004 EUR	Comparative data for 2004 restated EUR
Restatement of the cash flow statement 2004			
Cash receipts from operating activities	52,040,642	2,230,347	54,270,989
Cash payments for operating activities	(35,352,031)	(1,432,728)	(36,784,759)
Cash flows used in investing activities	(28,694,294)	(288,534)	(28,982,828)
Business combinations (cash acquired)	(186,168)	–	(186,168)
Cash flows from financing activities	12,207,685	(724,648)	11,483,037
Net foreign exchange difference	365,398	52,472	417,871
Net increase in cash and cash equivalents	**381,231**	**(163,091)**	**218,141**

2.4. Basis of consolidation

The consolidated financial statements comprise the financial statements of Warimpex Finanz- und Beteiligungs AG and its subsidiaries as on 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

Subsidiaries are included in the consolidated financial statements by full consolidation as 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 control 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. As regards the accounting treatment of joint ventures, reference is made to Note 2.6.

2.5. Accounting judgements and estimates

In preparing the consolidated financial statements of the Group it is necessary to estimate certain figures and make assumptions which influence the recording of assets and liabilities, the presentation of other obligations as of the balance sheet date, and the recognition of revenues and expenses during the period. The actual figures which become known at a later date may differ from these estimates. This does not prevent the consolidated financial statements from providing a true and fair view of the Group's economic situation. Substantial estimation uncertainties were identified in respect of estimates used for fair values of properties and building in business combinations and the impairment testing of goodwill. Although asset appraisals according to international standards were obtained for these assets, it cannot be ruled out that another appraisal method would result in another, possibly lower, valuation of land and properties or goodwill.

As of 31 December 2005, the carrying amount of goodwill amounted to Euro 6,089,466; properties and buildings that were stated at fair value in business combinations amounted to Euro 27,134,970 (land) and Euro 52,718,930 (buildings).

Summary of significant accounting policies

2.6. Interests in joint ventures

Interests in other companies are classified as interests in joint ventures when there is joint control of the entity by two or more partners. The Group recognises its interest in a joint venture using proportionate consolidation.

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

When the Group contributes or sells assets to the joint venture, any portion of gain or loss from the transaction is recognised based on the substance of the transaction. When the Group purchases assets from the joint venture, 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.

Joint ventures are proportionately consolidated until the date on which the Group ceases to have joint control of the joint venture.

2.7. Foreign currency translation

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

Where the transactions that are relevant in determining a company's functional currency change, this will lead to a change in the functional currency of the respective entity.

The functional currency of each reporting entity within the Group is presented in Note 25.

Irrespective of whether the functional currency of a foreign subsidiary is the local currency or the Euro, the subsidiary's income statement is translated, depending on the relevant position, at the actual exchange rate, average exchange rate or historical exchange rate. For subsidiaries pertaining to the segment "Hotels & Resorts", all transactions affecting the balance sheet are translated on the basis of monthly interim financial statements at the weighted average exchange rate for the respective month. Significant transactions are translated using the actual exchange rate. As a result, financial statements of such companies are translated as if the transactions of these companies had occurred in the Group's presentation currency.

Where the functional currency of the subsidiary is the local currency, all assets and liabilities are translated at the exchange rate ruling at the reporting date. Where the functional currency of a subsidiary is the Euro, all monetary items of the balance sheet are translated at the exchange rate ruling at the reporting date, all other items are translated at historical exchange rates.

Where the local currency is the company's functional currency, all exchange differences rising on translation are taken directly to a separate component of equity. Upon disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to the particular subsidiary is recognised in the income statement. By contrast, where the entity's functional currency is the Euro, all exchange differences are immediately recognised in income.

The exchange rates at 31 December 2005, which have been applied for all items that are translated at the closing rate as of the reporting date, are as follows:

	Polish Zloty (PLN/EUR)	Czech Koruna (CZK/EUR)	Hungarian Forint (HUF/EUR)	Swiss Franc (CHF/EUR)	US Dollar (USD/EUR)
	3.8598	29.005	252.87	1.549	1.180

Restatement according to IAS 29

The financial statements of Hungarian subsidiaries have been restated in accordance with IAS 29 until 1998. Restatement was applied to non-current assets of these companies. Current assets and liabilities were not restated since they consisted almost entirely of monetary items. The index applied was derived with reference to the development of the exchange rate between HUF and ATS. All items of the restated financial statements were translated into EUR using the exchange rate effective as of the balance sheet date ("restate-translate method").

As of 31 December 2005, accumulated gains resulting from the restatement of Hungarian subsidiaries until 1998 in the amount of Euro 383,615 (2004: TEUR 408) are contained within retained earnings.

2.8. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment in value. Depreciation is calculated on a straight-line basis over the useful lives of the assets. Where significant components of an item of property, plant and equipment have a particular useful live, depreciation is based on the useful live of these components. Replacements are depreciated over their estimated useful lives.

The useful lives of assets are estimated. The carrying amount of property, plant and equipment is tested for impairment whenever there are conditions that indicate that the carrying amount of an asset exceeds its recoverable amount.

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

2.9. Investment properties

Investment properties are measured at historical cost less accumulated depreciation which is calculated on a straight-line basis and accumulated impairment in value. Depreciation is calculated over the useful life of the assets. Replacements that are capitalised are amortised over their estimated useful lives. The carrying amounts do not contain the costs of day-to-day servicing of an investment property.

Real estate held as investment property is classified as such when there is no intention to use it for own purposes. Property under construction include “investment property”, which is reclassified at completion.

In the reporting year, a Multiplex Center in Brno (CZ) has been classified as “held for sale” and reclassified to current assets in accordance with IFRS 5 (Reference is made to Note 8).

2.10. Goodwill

In a business combination, all identifiable assets and liabilities are stated at their fair values. Following initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to a cash-generating unit. Impairment is determined by assessing the recoverable amount of the cash-generating unit. If the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The recoverable amount is the higher of value in use and net realisable value.

2.11. Intangible assets

Currently the only intangible assets held and presented by the Group relate to acquired computer software. A useful life of 5 years is estimated for the software. Internally generated intangible assets are not capitalised as the required criteria are not fulfilled.

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

2.12. Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. When such an indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset’s value in use and its net realisable value. The carrying amount of an asset that exceeds the recoverable amount reduces to the lower recoverable amount. The value in use is determined by discounting expected future cash flows to their present value using a pre-tax interest rate and an appropriate adjustment for risk.

To assess potential impairment of real estate under development, the project’s development progress is compared with market values and projected income forecasts. Impairment is recognised, when original project development expectations have changed to the negative.

2.13. Other financial assets

Where financial assets are classified as available-for-sale, they are reported at fair value with gains or losses being recognised as a separate component of equity. When the financial asset is derecognised or is determined to be impaired, the accumulated profit or loss previously reported in equity is included in the income statement. Loans and receivables are reported at amortised cost using the effective interest method. Profits and losses are reported within income when the loans and receivables are derecognised or impaired.

Other financial assets contain loans to joint ventures, which are, in substance, not to be treated as financial instruments. They are contrasted with "loans received from joint ventures". Both instruments are, in substance, equity instruments and carry the same maturity and interest-rate conditions. They are stated at amortised cost.

According to the Group's policies, guarantees and other commitments are secured by term deposits pledged as collateral. These term deposits are held with Austrian banks and are carried at amortised cost.

2.14. Inventories

Inventories are valued at the lower of production cost, acquisition cost or net realisable value. Presented in inventories are primarily raw materials and merchandise (Food & Beverage) pertaining to the operations of hotels and resorts. This valuation is based on the FIFO method.

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

2.15. Trade and other receivables

Trade receivables which generally have 10 to 90 day terms are recognised and carried at the original invoice amount less allowance for any uncollectible amounts. A provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

2.16. Cash and cash equivalents

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

2.17. Derecognition of financial assets and liabilities

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

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

2.18. Impairment of financial assets

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

2.18.1. Assets carried at amortised cost

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

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

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

2.18.2. Available-for-sale financial assets

Following initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognised as a separate component of equity. If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.19. Provisions

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

2.20. Pensions and other post-employment benefits

Provisions for severance payments and long-term service bonuses for employees and members of the management board are only recognised for employees of Austrian Group companies since employees in Poland, the Czech Republic and Hungary are not entitled to similar benefits and local laws only provide for a very limited range of employee benefits. All long-term provisions for pensions and other post-employment benefits are calculated using the projected-unit-credit-method. The pension and salary increase is estimated at 2.05% for severance payments and 1% for pensions. The calculations are based on a discount rate of 4.25% and no fluctuation discount. In the previous year, calculations were based on the same parameters. Actuarial profits and losses are recognised in profit and loss when they occur.

Pension commitments that also include benefits to dependants have been made in favour of the members of the management board. Furthermore, a current pension obligation exists. The Group's pension plans are defined benefit plans, are not value guaranteed, and unfunded. The provision is valued in accordance with the actuarial tables "AVÖ für Angestellte".

Pension reimbursement insurance was taken out for pension commitments made to members of the management board and their dependants. Annual contributions are made to this insurance plan which is committed to the coverage of pension obligations and is of a long-term nature. It is not a pension plan asset within the meaning of IAS 19 but must be capitalised separately according to IAS 19.104a.

This reimbursement right is valued at Euro 661,780 and presented within other (non-current) financial assets.

2.21. 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 and the arrangement conveys a right to use the asset. None of the lease contracts concluded by the Group fulfilled the requirements for classification as a finance lease in 2005.

2.22. Revenue recognition

Revenues are recognised in accordance with IAS 18.

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

2.23. Taxes

2.23.1. Current tax assets and liabilities

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

2.23.2. Deferred tax

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

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

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

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

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

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

2.23.3. Value added tax (VAT)

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

- Where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authorities is included as part of receivables or payables in the balance sheet.

2.24. Derivative financial instruments and hedging

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

In the reporting period, no derivative financial instrument qualifies for hedge accounting, therefore the gains or losses arising from changes in fair value are taken directly to net profit or loss for the year.

2.25. Standards and Interpretations not yet effective

All standards issued by 31 December 2005 not yet effective have been applied early, where permitted, with the following exceptions: The amendment to IAS 19 "Employee Benefits, Actuarial Gains and Losses, Group Plans and Disclosures" was not yet applied in the reporting period. The amended standard is effective for reporting years beginning on or after 1 January 2006. The Group expects application of the amendment of IAS 19 to lead to additional disclosure requirements. As the future accounting policy for actuarial gains and losses has not yet been decided by the Group, the effects on the consolidated financial statements are not yet determined.

Additional disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" were not included in the consolidated financial statements. The standard is effective for reporting periods beginning on or after 1 January 2007. The Group does not intend to adopt to apply this standard earlier. It is anticipated that the application of IFRS 7 will only lead to additional disclosures in the consolidated financial statements but will have no impact on the recognition and measurement of financial instruments.

The amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures", which adds IAS 1.124a to IAS 1.124c ("Capital Disclosures") has not been applied by the Group. The disclosures concerning objectives, policies and processes of managing capital become effective for reporting periods beginning on or after 1 January 2007. The Group expects the implementation of IAS 1.124a to IAS 1.124c to lead to additional disclosure requirements in the consolidated financial statements without affecting the recognition and measurement of assets and liabilities.

Amendments to IFRIC 4 "Determining whether an arrangement contains a lease" have not been applied in consolidated financial statements in-hand. IFRIC 4 becomes effective for reporting periods starting on or after 1 January 2006. According to current knowledge, the application of IFRIC 4 will not have a material impact on the consolidated financial statements.

3. Business combinations and other changes to the scope of consolidation

		(Acquisition date)	
Companies acquired	3.1.	(20/1/05)	Prozna Properties Sp.z.o.o., partial acquisition of 25.21% (plus call option for further 74.79% interest)
	3.1.	(27/12/05)	Prozna Properties Sp.z.o.o., partial acquisition of 74.79% (exercise of call option)
	3.2.	(30/12/05)	Warimpex Leasing AG, Vienna, 100%
	3.2.	(30/12/05)	Amber Baltic Sp.z.o.o., 100% indirectly through Warimpex Leasing AG
	3.2.	(30/12/05)	Golf Amber Baltic Sp.z.o.o., 100% indirectly through Warimpex Leasing AG
	3.2.	(30/12/05)	Hansa Sp.z.o.o., 100% indirectly through Warimpex Leasing AG
	3.2.	(30/12/05)	E.I.H. a.s., 100% indirectly through Warimpex Leasing AG
	3.3.	(30/12/05)	UBX II (France) s.a.r.l., indirectly through the 50% joint venture UBX Development s.a.r.l.
Acquisition of additional shares in Group Companies	3.4.	(4/2/05)	Revital Rt., acquisition of an additional 24.51% interest; new interest 81.72%
	3.4.	(4/2/05)	Becsinvestor kft, acquisition of an additional 24.51% interest; new interest 81.72% (indirectly through Revital Rt.)
	3.4.	(4/2/05)	Goldmark kft, acquisition of an additional 24.51% interest; new interest 81.72% (indirectly through Revital Rt.)

		(Acquisition date)	
	3.4.	(4/2/05)	Pax-Invest kft, acquisition of an additional 24.51% interest; new interest 81.72% (indirectly through Revital Rt.)
	3.5.	(11/11/05)	Grassi Hotelbeteiligungs- und Errichtungs GesmbH, acquisition of an additional 20% interest; new interest: 50%
	3.5.	(11/11/05)	Recoop Tour a.s., acquisition of an additional 20% interest; new interest 50% (indirectly through Grassi Hotelbeteiligungs- und Errichtungs GesmbH)
Companies sold	3.6.	(1/10/05)	Andel Investment Praha s.r.o., 100%
	3.6.	(1/10/05)	Hotel Andel's Praha a.s., 100% indirectly through sale of Andel Investment Praha s.r.o.

3.1. Prozna Properties Sp.z.o.o.

On 20 January 2005, 25.21% of the shares in Prozna Properties Sp.z.o.o. were acquired by exercising a call option which had been granted to the Company in 2003. Upon the acquisition, the subsidiary's management was replaced. Initial consolidation of 100% was performed as of the acquisition date since the Group had the option to acquire shares and thus the potential to control all voting rights of the company. Resulting minority interests were also recognized.

On 27 December 2005, the remaining 74.79% of the subsidiary were acquired by exercising a call option. This additional acquisition reduced the remaining minority interests. The purchase price for the shares acquired on 27 December 2005 amounts to USD 299,208 and was paid after the reporting date.

The subsidiary owns rights in two buildings designated as landmarks in Warsaw (PL) and was acquired by the Group to develop a hotel project. The fair values of the identifiable assets and liabilities of "Prozna Properties Sp.z.o.o." as at the date of acquisition were:

	Recognised on acquisition EUR	Carrying value EUR
Property, plant and equipment	1,137,541	1,137,541
Cash and cash equivalents acquired	259	259
Trade and other receivables	72,917	72,917
	1,210,716	**1,210,716**
Minority interests	91,152	91,152
Provisions for guarantees	–	529,800
Trade payables and other current liabilities	10,112	10,112
	101,264	**631,064**
Fair value of net assets	**1,109,453**	**579,653**
Negative goodwill directly recognised in income	(775,416)	
Total costs of business combination	**334,036**	
■ Purchase price obligation unpaid as of reporting date	(253,566)	
■ Cash outflow on acquisition in the reporting period	80,470	

Since its acquisition, Prozna Properties Sp.z.o.o. has incurred expenses of Euro 47,603.

3.2. Warimpex Leasing AG (including its 100% subsidiaries)

Under a share purchase agreement of 30 December 2005, Warimpex Finanz- und Beteiligungs AG acquired 100% of the shares in Warimpex Leasing AG, and indirectly the subsidiaries of Warimpex Leasing AG, i.e. Amber Baltic Sp.z.o.o, Golf Amber Baltic Sp.z.o.o., Hansa Sp.z.o.o. and E.I.H. a.s. from Amber Privatstiftung (50%) and Bocca Privatstiftung (50%), for a purchase price totalling Euro 4.7 million.

The purchase price was partly offset by receivables due from Amber and Bocca Privatstiftung. The remaining portion is still outstanding as of reporting date. Reference is made to Note 26. “Related party disclosures”.

The fair values of the identifiable assets and liabilities of “Warimpex Leasing AG” and its subsidiaries as at the date of acquisition were:

	Recognised on acquisition EUR	Carrying value EUR
Property, plant and equipment and computer software	25,962,120	21,492,867
Other non-current financial assets*, please refer to Note 26.	(2,988,634)	(2,988,634)
Deferred tax asset	167,621	167,621
Inventories	170,866	170,866
Cash and cash equivalents acquired	763,397	763,397
Trade and other receivables	624,709	624,709
	24,700,080	**20,230,826**
Minority interests	(1,542)	(1,542)
Deferred tax liabilities	2,052,290	–
Interest-bearing loans and borrowings	20,017,675	19,960,765
Derivative financial instruments	24,362	24,362
Trade payables and other current liabilities	3,691,808	4,284,246
	25,784,593	24,267,831
Fair value of net assets	**(1,084,513)**	**(4,037,005)**
Goodwill	5,784,513	
Total costs of business combination	**4,700,000**	
Compensated with receivables due from related parties	(4,700,000)	
Cash outflow on acquisition in the reporting period	–	

*) Upon the business combination, loans by Warimpex Finanz- und Beteiligungs AG to the acquired group of companies in the amount of Euro 3,097,448 were eliminated. Other receivables with a remaining term of more than 12 months amounting to Euro 108,814 have been consolidated.

Warimpex Leasing AG and its subsidiaries did not contribute to the Group's income for the reporting period. A pro-forma note as to the possible contribution of Warimpex Leasing AG and its subsidiaries to consolidated income, as if these companies had already been included in the consolidated financial statements as of 1 January 2005, is not possible since the net income of the Warimpex Leasing Group is determined by its own Group-acquisition costs for the individual assets.

To establish the purchase price, management has prepared a business valuation for the group of companies acquired. This valuation was based on those parameters, which had also been applied to the disposal of a business in the reporting period (Note 3.6.). This business valuation is based on future cash flows which could not be completely attributed to individual assets upon the business combination. The sellers have granted a cash flow guarantee for a term of five years.

As of the acquisition date, property valuation reports for the acquired assets were obtained and used to allocate fair values to identifiable assets.

3.3. UBX (II) France s.a.r.l.

Under a share purchase agreement of 22 December 2005, the 50% Joint Venture UBX Development s.a.r.l. purchased 100% of UBX (II) France s.a.r.l. for the nominal amount of the share capital. Total acquisition cost amounted to Euro 15,000. The acquired company owns no assets and might become the operator for the Dreamcastle Hotel near EuroDisney Paris starting in 2006.

3.4. Partial acquisition of Revital Rt. (including its 100% subsidiaries)

Under a purchase agreement dated 4 February 2005, 24.51% of the shares in Revital Rt. (and hence its subsidiaries) were purchased. This raised the Group's share in the Revital Group from 57.21% to 81.72%. The companies had already been included in the consolidated financial statements by full consolidation. The additional acquisition therefore primarily affects minority interests.

	EUR
As of acquisition date, fair values of minority interests acquired amounted to	158,539
Negative goodwill directly recognised in income	(119,581)
Total costs of business acquisition	**38,958**

3.5. Partial acquisition of Grassi Hotelbeteiligungs- und Errichtungs GesmbH and its 100% subsidiary Recoop Tour a.s.

Under a notarial deed dated 11 November 2005, a 20% interest in Grassi Hotelbeteiligungs- und Errichtungs GesmbH was acquired for a purchase price of Euro 5 million, thus raising the Group's interest from 30% to 50%. Grassi Hotelbeteiligungs- und Errichtungs GesmbH owns 100% of Recoop Tour a.s., the owner and operator of Hotel “Diplomat” in Prague (CZ). Since management of the company is performed solely by Warimpex Finanz- und Beteiligungs AG, Grassi Hotelbeteiligungs- und Errichtungs GesmbH and its subsidiary are controlled by the Group and hence fully consolidated.

As in previous years, Grassi Hotelbeteiligungs- und Errichtungs GesmbH and Recoop Tour a.s. were included in the consolidated financial statements by 30% proportionate consolidation up to the acquisition date. Since the acquisition, the two subsidiaries have been included by full consolidation with presentation of corresponding minority interests.

Fair values of identifiable assets and liabilities of Grassi Hotelbeteiligungs- und Errichtungs GesmbH and its subsidiary Recoop Tour a.s. as at the date of acquisition were:

	Recognised on acquisition EUR	Carrying value EUR
Property, plant and equipment and software	54,750,355	29,528,992
Available-for-sale financial assets	808,909	808,909
Deferred tax asset	26,488	26,488
Inventories	126,811	126,811
Cash and cash equivalents acquired	1,052,252	1,052,252
Trade and other receivables	1,166,804	1,166,804
	57,931,620	**32,710,257**
Minority interests	11,733,608	2,149,490
Revaluation reserve (IFRS 3)	5,358,755	–
Deferred tax liability	8,963,173	2,910,046
Interest-bearing loans and borrowings	24,971,358	24,971,358
Partially eliminated liabilities of the companies against Warimpex Finanz- und Beteiligungs AG	507,257	507,257
Trade payables and other current liabilities	1,697,798	1,697,798
	53,231,948	**32,235,948**
Fair value of net assets	**4,699,672**	**474,308**
Goodwill	304,952	
Total costs of business combination	**5,004,624**	

From January to 10 November 2005, Grassi Hotelbeteiligungs- und Errichtungs GesmbH and Recoop Tour a.s. contributed Euro 800,548 (for the Group's proportionate share) to Group profit.

If the two companies had been included in the consolidated financial statements by full consolidation for the whole year, the additional contribution to the Group's profit would have amounted to Euro 1,867,945. The Group's profit would have been Euro 35,537,754 and revenues from continuing operations would have been Euro 47,740,282.

3.6. Sale of "Andel Investment Praha s.r.o." and "Hotel Andel's Praha a.s."

Under a notarial deed of 27 October 2005, the Group's 100% interest in "Andel Investment Praha s.r.o." and its subsidiary "Hotel Andel's Praha a.s." – the owner and operator of Hotel Andel's Praha, was sold to an Austrian institutional investor.

The sales price amounted to Euro 70 million plus Euro 10.9 million development gain (plus working capital according to a cut-off balance). The sales price is calculated on the basis of a "guaranteed free cash flow" of Euro 6.160 million p.a.

The sales price was reduced by the amount of interest-bearing loans and borrowings of Hotel Andel's Praha a.s. and Andel Investment Praha s.r.o. as well as an additional amount of Euro 5 million which has been committed as collateral for guarantee claims of the purchaser. Additionally, direct expenses relating to the sale of Euro 1,558,503 were incurred (including compensation paid for the termination of a contract according to Note 26.) and were charged against sales proceeds.

Also contained within the sales proceeds is a development gain of Euro 10.9 million.

The results of the two companies from 1 January 2005 through September 2005 were included by full consolidation and amounted to Euro 3,169,491. The assets and liabilities of the companies sold were derecognised as of 30 September 2005 with the following values on the basis of a "cut-off balance sheet".

Changes in assets	EUR
Property, plant, equipment, software	(38,315,715)
Deferred tax assets	(2,265,487)
Inventories	(133,170)
Net cash of the companies sold	(599,357)
Trade receivables	(1,101,600)
Funds committed as collateral	5,000,000
	(37,415,329)
Cash receipts for the sale of shares	30,819,124
	(6,596,205)

Changes in liabilities and equity	EUR
Interest-bearing loans and borrowings	(43,656,706)
Deferred tax liability	(164,040)
Income taxes payable	(840,618)
Trade payables and other current liabilities	(856,166)
Provision for onerous contracts	2,467,429
Deferred tax effects of the sale	(1,876,029)
Contribution to Group profit	38,329,924
	(6,596,205)

Guarantees:

According to the contractual arrangements and on the basis of the sales price calculation, Warimpex Finanz- und Beteiligungs AG guarantees that Hotel "Andel's Praha" will generate an annual free cash flow in the amount of Euro 6.16 million p.a., indexed according to the Austrian Consumer-Price-Index of 2000 up to a total amount of Euro 5 million. This guarantee ends on 30 September 2025.

Free cash flow is defined in the contract as follows: GOP (Gross Operating Profit) less Management Fee plus fixed rental income for those parts of the building, which are not used as a hotel.

Should Hotel "Andel's" be able to achieve a free cash flow that exceeds the indexed guaranteed free cash flow through 30 September 2025, then Warimpex Finanz- und Beteiligungs AG will receive a 25% share of the excess of actual free cash flows over guaranteed free cash flows. This surplus will be credited to the committed funds and increases the guarantee up to Euro 8 million until 31 March 2019.

Additionally, a guarantee commitment was made in respect of repair and maintenance requirements of Hotel "Andel's Praha" until 30 September 2025. Should the necessary amount of expenses for repairs and maintenance exceed the guaranteed threshold level of 0.59% of the purchase price, then Warimpex Finanz- und Beteiligungs AG would be obliged to refund such excess expenses. The guarantee for repair and maintenance expenses is indexed in the same manner as the free cash flow guarantee.

The sum total of all guarantees is limited with an amount of Euro 5 million and increases only insofar as the Company participates in excess cash flows of Hotel "Andel's".

Other contractual obligations:

The 100% subsidiary "Vladinvest s.r.o." has concluded a master lease agreement with Hotel Andel's Praha a.s. over 4,356.1 sqm of commercial real estate for a net-rent of Euro 0.4 million p.a. (indexed). This rent is reduced by any rental income that "Hotel Andel's Praha a.s." will be able to generate from renting out the property.

The lease-agreement was concluded for a term of 12 years and will end on 30 September 2017. The expected future cash flows over the term of this contract were discounted at 3.5% and as the projected cash flows are negative, a provision for onerous contracts was accrued for the resulting amount of Euro 2,467,429.

In respect of the sale of the companies “Andel Investment Praha s.r.o.” and “Hotel Andel’s Praha a.s.” reference is made to Notes 24.7. and 26.5.

4. Interests in joint ventures

The pro-rata values for joint ventures included in the 2005 consolidated financial statements under proportionate consolidation are as follows (Comparative information restated in accordance with the explanation provided in Note 2.3.):

The changes in the scope of consolidation are explained Notes 3.3. and 3.5.

	31/12/2004 as in 2004 EUR	Restatement according to Note 2.3.2. EUR	31/12/2004 Restated EUR	Changes in the scope of Consolidation EUR	Results for 2005 EUR	As of 31/12/2005 EUR
Non-current assets	37,064,069	27,109,019	64,173,087	(13,732,855)	(4,952,848)	45,487,385
Current assets	2,748,772	265,067	3,013,840	(557,796)	8,281,560	10,737,604
Cash and short-term deposits	1,601,575	335,265	1,936,839	(445,880)	(817,554)	673,405
	41,414,415	**27,709,351**	**69,123,766**	**(14,736,531)**	**2,511,158**	**56,898,394**
Equity	2,794,084	727,038	3,521,122	(1,668,242)	(1,342,982)	509,898
Warimpex loans*	1,866,829	2,335,832	4,202,661	(217,396)	1,878,652	5,863,917
Non-current liabilities	30,632,983	5,375,219	36,008,202	(11,160,887)	(4,144,110)	20,703,205
Current liabilities	6,120,520	19,271,262	25,391,782	(1,690,006)	6,119,598	29,821,374
	41,414,415	**27,709,351**	**69,123,766**	**(14,736,531)**	**2,511,158**	**56,898,393**
Revenues	18,518,709	2,240,935	20,759,643		8,724,429	
Operating results	2,151,036	(228,307)	1,922,730		1,325,847	
Financial results	(952,081)	(1,321,695)	(2,273,776)		(2,355,828)	
Profit before income tax	1,198,955	(1,550,002)	(351,046)		(1,029,981)	
Profit after income tax	807,824	(813,136)	(5,313)		(1,376,611)	

*) Relates to the liabilities of joint ventures against Warimpex Finanz- und Beteiligungs AG which are eliminated on a pro-rata basis under proportionate consolidation.

As of the end of the reporting period, the Group holds interests in 15 joint ventures, 14 of which engage in project development. The joint venture “Sienna Hotel Sp.z.o.o.” owns and operates the Hotel InterContinental Warsaw.
A list of all joint ventures included in the consolidated financial statements is presented in Note 25. Reference is also made to Note 26., which deals with related party disclosures.
The restatement according to Note 2.3.2. only relates to the first-time consolidation of the joint venture “Sienna Hotel Sp.z.o.o.”.

5. Segment reporting

The Warimpex Group has identified two business segments (primary segmentation): “Hotels & Resorts” [H&R] and “Development & Asset Management” [FMD]. Operations are classified into one of the segments on the level of individual subsidiaries. For purposes of secondary segmentation, operations are classified according to target markets. The Warimpex Group’s target markets are Austria [A], Poland [PL], the Czech Republic [CZ], Hungary [HU], Germany [D] and France [FR].

Transactions between business segments contain the recharge of Group services as well as project development services. The services are charged at cost plus a profit margin.

The following tables present revenue and profit and certain asset and liability information regarding the Group’s business segments for the years ended 31 December 2005 and 2004.

5.1. Primary segments

	Hotels & Resorts		Development & Asset Management		Total	
	2005	2004*	2005	2004*	2005	2004*
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
External sales	35,315	31,803	4,997	20,797	40,312	52,600
Inter-segment sales	(1,058)	(871)	1,058	871	–	–
Segment results	7,531	6,793	36,428	2,213	43,959	9,006
Capital expenditure						
■ Tangible fixed assets and software	5,626	18,994	2,714	4,336	8,340	23,331
■ Financial assets	–	–	525	2,344	525	2,344
Depreciation and amortisation	(5,553)	(5,638)	(675)	(617)	(6,228)	(6,255)
(thereof impairment)	–	*(381)*	–	–	–	*(381)*
Net cash flows from operating activities	12,851	12,788	(1,120)	4,698	11,731	17,486
Segment assets	178,716	133,748	86,033	61,733	264,749	195,480
Segment liabilities	(148,520)	(128,136)	(36,658)	(34,886)	(185,177)	(163,022)
Average payroll	587	559	51	40	638	598

*) Regarding restatement of comparative amounts please refer to Note 2.3.

5.2. Secondary segments

	Czech Republic	Poland	Hungary	Austria	Germany	France	Other
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
External revenues 2005	**33,574**	**3,902**	**761**	**1,318**	**546**	**210**	**–**
External revenues 2004*	31,239	2,316	2,515	3,184	600	12,747	–
Segment assets 2005	**151,657**	**46,434**	**6,950**	**45,887**	**13,235**	**735**	**(148)**
Segment assets 2004*	120,061	29,002	5,661	25,281	13,280	2,177	17

*) Regarding restatement of comparative amounts please refer to Note 2.3.

	Czech Republic	Poland	Hungary	Austria	Germany	France	Other
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Capital expenditure 2005	**5,552**	**2,688**	**21**	**604**	**–**	**–**	**1**
Capital expenditure 2004*	18,648	3,651	97	2,497	781	–	1
Depreciation 2005	**(4,794)**	**(1,168)**	**(157)**	**(67)**	**(40)**	**(2)**	**–**
Depreciation 2004*	(4,837)	(1,165)	(162)	(12)	(58)	(21)	–

*) Regarding restatement of comparative amounts please refer to Note 2.3.

Depreciation contains depreciation expenses for property, plant and equipment, investment properties, amortisation of intangible assets, as well as impairment charges recognised for goodwill in 2004.

External revenues are defined as: sales revenues from hotels and resorts, sales revenues from development and asset management including rental income and revenues from related parties and joint ventures.

6. Notes to the consolidated income statement

6.1. Sales revenues contain revenues received from transactions with joint ventures amounting to Euro 1,076,847 (2004: Euro 631,681) and charges to related parties of Euro 96,287 (2004: Euro 56,579).

Sales revenues from and expenses for real estate development in 2004 included primarily construction services rendered by the joint venture UBX Development s.a.r.l. in connection with the Hotel project “Dreamcastle Hotel” near EuroDisney, Paris. During the reporting period, the Company received a development fee of Euro 10.9 million through the disposal of a subsidiary (Note 3.6.) which is presented in “Gains from the sale of a disposal group”.

The item “Other operating income” presented for 2004 contains an amount of approx. TEUR 460 from the sale of subsidiaries. The remainder primarily consists of foreign exchange gains.

6.2. This item contains all expenses relating to revenues from the operations of “Hotels and Resorts”, insofar as they are attributable to the “Cost of Sales” or the “Direct Expenses” of hotel operations. Also included in this item are utilities expenses incurred for investment properties which could not be recharged (Reference is made to Note 11.).

Expenses for materials and services received contain management fees from the segment “Hotels & Resorts”. Of these management fees, Euro 2,634,768 (2004: Euro 2,182,633) were paid to related parties (Vienna International) and Euro 103,946 (2004: Euro 67,152) were paid to joint venture partners (InterContinental).

6.3. Personnel expenses can be analysed as follows:

	2005/EUR	2004/EUR
Current personnel expenses		
Wages and salaries	6,488,375	5,839,512
Social security costs	1,879,864	1,662,894
Other payroll-related taxes and contributions	178,871	200,129
Voluntary employee benefits	16,542	7,237
Other employee benefits	525,939	455,027
Payments in respect of pensions and severance payments	229,945	92,025
Changes in accrual for compensation absences	42,520	4,074
	9,362,057	**8,260,898**
Changes in payroll-related provisions (Note 22.1.)	257	56,085
	9,362,314	**8,316,982**

During the reporting period, the Group employed an average of 638 (2004: 598) employees.

Employees of companies included at their proportionate share are reflected in this calculation in relation to the Group's holdings in these companies. Employees of companies consolidated for the first or last time in the reporting period are included on a proportional time basis.

6.4. Other expenses contain charges from joint ventures in the amount of Euro 218,332 (2004: Euro 0). These charges primarily relate to service fees charged by Recoop Tour a.s. to other hotels of the Group for administrative services provided by its "Shared Service Center". Presented are amounts relating to the time in which Recoop Tour a.s. was included only by proportionate consolidation.

Operating expenses also contain expenses (including maintenance and repair expenses) for investment properties. These expenses amount to Euro 50,683 (2004: Euro 29,978).

Expenses of Euro 219,846 (2004: Euro 216,486) were incurred for non-recoverable VAT, which primarily result from the Hotel "Dvořák" in Karlovy Vary (CZ), as this hotel operates a VAT-exempt medical spa in addition to the hospitality business.

Other expenses are reduced by the reversal of unused provisions in the amount of Euro 394,835 (2004: Euro 0). Legal fees of Euro 559,143 (2004: Euro 219,730) are also contained within this position.

Pre-opening costs of Euro 28,982 (2004: Euro 0) were charged to expenses relating to Hotel "Angelo" in Prague. Impairment charges for unfinished real estate development projects amount to Euro 418,712.

Operating expenses from hotels which are classified as "expenses after GOP [Gross Operating Profit]" in the amount of Euro 470,397 (2004: Euro 362,819) are also presented among other expenses. They relate primarily to foreign exchange differences and property costs. Administrative expenses amounted to Euro 1,025,446 (2004: Euro 1,347,332).

6.5. Finance costs

	2005/EUR	2004/EUR
Interest on short term borrowings, project-loans and other loans	5,420,434	5,101,005
Interest on loans relating to joint ventures	305,575	278,007
Interest on loans from related parties	32,534	17,065
	5,758,544	**5,396,078**
Interest cost for provision for pension and other long-term employee benefits	163,793	154,179
Other finance costs	154,120	59,409
Impairment of investments	18,411	–
Impairment of loans (non-current)	4,325,009	462,066
Unrealised foreign currency loss on loans	–	119,458
	10,419,877	**6,191,189**
Unrealised losses on derivative financial instruments	18,683	378,814
	10,438,561	**6,570,003**

For information on the terms and conditions of interest-bearing loans and borrowings, reference is made to Note 21. Other finance costs contain lending commitment fees as well as loan-related costs, which are amortized over the term of the loan.

The cost of average interest-bearing liabilities employed by the Group in the reporting period amounts to Euro 5,580,705 or Euro 4,161,275 net of tax effects. This represents an effective after-tax interest cost of 3.21%. The computation of this amount can be derived from the Group Management Report.

Additions to property, plant and equipment contain interest capitalized in the amount of Euro 105,100 (2004: Euro 0). See Note 10.

The item “Impairment of loans (non-current)” relates to a non-interest-bearing loan to “UBX Luxembourg s.a.r.l.”, which was written down to zero for impairment in the reporting period. Due to a lasting deterioration of the borrower’s financial condition, a new assessment of the recovery of the amount had to be made in 2005. Based on current information, no repayments are to be expected and hence the fair value of the loan amounts to zero.

6.6. Finance revenue

	2005/EUR	2004/EUR
Interest income from cash management	867,509	270,460
Interest income on other financial assets	129,021	52,484
Interest on loans made to joint ventures	335,660	335,842
Interest on loans made to related parties	115,403	74,378
	1,447,594	**733,164**
Guarantee fees	126,974	299,319
Unrealised foreign currency gain on loans	161,571	–
	1,736,139	**1,032,483**
Unrealised gains on derivative financial instruments	15,998	–
	1,752,137	**1,032,483**

The item “Interest income from cash management” contains realised gains from derivative financial instruments in the amount of Euro 681,637 (2004: Euro 121,772).

Reference is made to Note 28.3. for further information on the item “Unrealised gains on derivative financial instruments”.

Unrealised foreign currency gains or losses on loans result from project loans denominated in foreign currencies, which are not hedged against foreign currency risks. Detailed information is available in Note 21. and Note 27.2.

7. Income taxes

A reconciliation between tax expense and the product of accounting profit multiplied by the Group’s domestic tax rate for the years 2005 and 2004 is as follows:

	2005/EUR	2004/EUR
Accounting profit before income tax	**35,272,519**	**3,468,220**
Accounting profit before tax * 25% (2004: 34%)	(8,818,130)	(1,179,195)
(±) Changes in tax rates	17,961	(694,855)
(±) Other foreign tax rates	(278,381)	(269,478)
(±) Tax free profits from the participation exemption (Sec § 10 Austrian CIT-Act)	10,301,625	6,393,859
(±) Permanent differences	(33,995)	(519,281)
(±) Valuation allowance on deferred tax assets	(3,236,590)	(2,673,222)
(±) Income from the first-time recognition of deferred tax assets	67,132	550,114
(±) Foreign withholding taxes	–	(71,686)
(±) Permanent differences relating to (negative) goodwill	223,749	19,083
(±) Effects of exchange rate fluctuations	153,917	7,704
	(1,602,710)	**1,563,045**
Effective tax rate	*4.54%*	*(45.07%)*

In 2004, the Austrian corporate income tax rate was reduced from 34% to 25%, effective from 2005. For purposes of the tax reconciliation presented for 2004, the Group’s pre-tax profit was multiplied by 34% and deferred tax assets and liabilities were re-measured to 25%. The item “Changes in tax rates” for 2005 only relates to subsidiaries and joint ventures in the Czech Republic, where the current tax rate is still 26% whereas deferred taxes were measured at a rate of 24%, which will be the effective tax rate in the Czech Republic from 2006 onwards.

At reporting date, deferred tax assets of Euro 5,405,793 (2004: Euro 2,413,998) resulting from tax-loss carry forwards have not been recognized since it is not probable that future taxable profits will be available against which the unused tax losses can be utilised.

Also, deferred tax assets of Euro 1,144,422 (2004: Euro 396,992) resulting from deductible temporary differences have not been recognized as their potential to reduce future tax liabilities is not sufficiently certain.

Deferred taxes result from the following	Deferred tax assets		Deferred tax liabilities	
	2005	2004	**2005**	2004
	EUR	EUR	EUR	EUR
Temporary differences from property, plant and equipment	1,710,292	905,913	(11,395,422)	(4,281,695)
Revaluation of property, plant and equipment	–	–	(1,754,188)	(204,026)
Temporary differences from investments insubsidiaries and joint ventures	2,461,959	1,523,241	(2,619,606)	(286,467)
Temporary differences in current assets	71,902	186,880	(6,115)	(22,493)
Temporary differences from pension provisions and other post employment benefits	181,320	323,851	–	–
Temporary differences from liabilities and provisions	35,768	20,442	(175,700)	(181,871)
Tax loss carry-forwards	499,779	3,271,369	–	–
	4,961,021	**6,231,696**	**(15,951,031)**	**(4,976,552)**
Offset within legal tax units and jurisdictions	(2,516,254)	(2,651,942)	2,516,254	2,651,942
	2,444,767	**3,579,754**	**(13,434,777)**	**(2,324,610)**

In both the reporting period and the prior period, no deferred tax liabilities were recognized for unremitted earnings of subsidiaries or joint ventures since intra-group dividend distributions within the European Union are not taxed.

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

Development of deferred tax assets and liabilities can be analysed as follows:	Deferred tax assets		Deferred tax liabilities	
	2005	2004	**2005**	2004
	EUR	EUR	EUR	EUR
At 1 January	3,579,754	2,110,446	(2,324,610)	(1,817,171)
Changes in the scope of consolidation	(195,823)	(1,738,492)	(9,159,185)	65,356
Effects of set-off	28,473	188,128	(28,473)	(188,128)
Transfers (Note 8.)	(108,541)	–	(76,130)	–
Credits/charges to equity	(50,546)	(19,801)	(1,692,238)	–
Deferred tax income/expense	(808,549)	3,039,473	(154,141)	(384,668)
	2,444,767	**3,579,754**	**(13,434,777)**	**(2,324,610)**

8. Disposal groups classified as held for sale

At the end of the reporting period, negotiations on the sale of the 100% subsidiary “Tarabulus s.r.o.”, CZ-Brno and the 50% joint venture “Intercom a.s.”, CZ-Brno (both pertaining to the primary segment “Development & Asset Management”) entered into advanced stages.

The disposal of the subsidiary/joint venture is due to be completed on the basis of a “cut-off balance” to be prepared as of 30 June 2006. The planned disposal does not constitute discontinued operation.

Carrying amounts of the assets and liabilities attributable to the disposal group were classified as held for sale and consist of the following items as of 31 December 2005:

Assets	**2005/EUR**	2004/EUR
Intangible assets (software)	268	–
Investment properties	11,781,152	–
Loans made to joint ventures	741,348	–
Trade receivables	580,055	–
Cash and short-term deposits	660,445	–
	13,763,267	**–**
Liabilities		
Trade payables	(662,255)	–
Interest-bearing loans and borrowings	(9,346,314)	–
	(10,008,568)	**–**
Net assets directly associated with the disposal group	**3,754,699**	**–**

The net cash flows of “Tarabulus s.r.o.” and the Group’s proportionate share of “Intercom a.s.” can be analysed as follows:		
Net cash from operations	1,091,511	1,328,143
Net cash inflow*	**1,091,511**	**1,328,143**

*) Operating cash flows for the reporting period contain payments made for taxes relating to 2004, whereas cash flows presented for 2004 do not contain cash outflows for taxes.

Interest-bearing loans contain two project-loans, which will be taken over by the purchaser. The loans amount to a total of Euro 8,608,288. Additionally, the item contains the proportionate share of a loan extended by the joint venture partner to the joint venture in the amount of Euro 738,025. Interest-bearing liabilities carry a variable interest rate (3-month-Euribor plus spread) and are secured by a pledge on the real estate. Reference is made to Note 21.

9. Share capital, earnings per share

The number of shares outstanding at the end of the reporting period amounts to 15,000 bearer shares with a nominal amount of Euro 1,000 each. The annual general meeting of shareholders on 24 May 2005 approved the reporting period ending 31 December 2004 and a capital increase (increase of share capital from retained earnings), which led to an increase in the number of shares outstanding from 6,250 to 15,000. The resulting transaction costs relate to the company tax of 1% of the capitalisation volume and have been charged to equity after allowing for the resulting tax effects.

On 8 February 2006, an extraordinary meeting of shareholders of Warimpex Finanz- und Beteiligungs AG was convened, which approved the conversion of 15,000 shares with a nominal value of Euro 1,000 into 15 million no-par value shares. Reference is made to Note 29. “Subsequent events after the balance sheet date”.

Since there are no circumstances that could lead to a dilution of shareholders’ interests, diluted earnings per share equal basic earnings per share.

According to the Austrian Stock Corporations Act, the separate financial statements as of 31 December 2005 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 financial statements show retained earnings of Euro 36,417,549. The managing directors propose to the general meeting of shareholders to approve a dividend payment of Euro 2,000,000 and carry forward the remaining balance of Euro 34,417,549.

10. Property, plant and equipment

31 December 2005	Land, rights equivalent to land EUR	Buildings including buildings on leasehold land EUR	Equipment, (Hotel) furniture EUR	Plant EUR	Total EUR
Net carrying amount at 1 January 2005	21,911,475	112,878,939	7,922,974	359,398	143,072,786
Changes in the scope of consolidation	23,859,971	19,038,092	649,974	–	43,548,037
Additions	2,462,259	3,808,595	1,218,824	787,412	8,277,090
Disposals	–	–	(32,964)	–	(32,964)
Transfers (Note 11.)	(2,811)	41,447	(290,304)	–	(251,667)
Depreciation	(49,027)	(3,860,646)	(1,699,338)	–	(5,609,011)
Exchange adjustment	14,992	82,934	4,695	25,776	128,398
Net carrying amount at 31 December 2005	**48,196,859**	**131,989,362**	**7,773,863**	**1,172,586**	**189,132,670**
Cost	48,369,397	188,587,241	13,568,373	1,172,586	251,697,598
Accumulated depreciation and impairment	(172,538)	(56,597,879)	(5,794,511)	–	(62,564,928)
Net carrying amount at 31 December 2005	**48,196,859**	**131,989,362**	**7,773,863**	**1,172,586**	**189,132,670**
Including payments for					
■ Property under construction	–	7,159,480	–	1,172,586	8,332,066
■ Advance payments made	595,886	–	20,000	–	615,886

31 December 2004	Land, rights equivalent to land EUR	Buildings including buildings on leasehold land EUR	Equipment, (Hotel) furniture EUR	Plant EUR	Total EUR
Net carrying amount at 31 December 2003	15,700,845	76,562,858	4,787,775	–	97,051,477
Restatement of comparative amounts (Note 2.3.2.)	3,987,108	20,224,842	3,227,222	–	27,439,172
Restated net carrying amounts at 1 January 2004	**19,687,953**	**96,787,699**	**8,014,996**	**–**	**124,490,649**
Changes in the scope of consolidation	1,219,645	68,662	(616,899)	–	671,407
Additions	1,045,000	19,714,939	2,339,778	334,144	23,433,861
Disposals	–	–	(12,476)	–	(12,476)
Transfer (Software)	–	110,789	(140,883)	–	(30,094)
Depreciation	(41,123)	(4,033,842)	(1,673,543)	–	(5,748,508)
Exchange adjustment	–	230,692	12,000	25,254	267,946
Net carrying amount at 31 December 2004	**21,911,475**	**112,878,939**	**7,922,974**	**359,398**	**143,072,786**
Cost	22,034,761	134,373,165	11,425,696	359,398	168,193,021
Accumulated depreciation and impairment	(123,286)	(21,494,226)	(3,502,722)	–	(25,120,235)
Net carrying amount at 31 December 2004	**21,911,475**	**112,878,939**	**7,922,974**	**359,398**	**143,072,786**
Including payments for					
■ Property under construction	–	2,176,652	–	359,398	2,536,050
■ Advance payments made	–	1,459,849	–	–	1,459,849

Property, plant and equipment with a carrying value of Euro 185,704,162 (2004: Euro 142,640,419) serve as first-rank security to secure the Group's loans (Note 21.). Additions contain capitalized interest of Euro 105,100 (2004: Euro 0).

As regards obligations to acquire property, plant and equipment, reference is made to Note 24.

The useful lives of the assets have been estimated as follows:

	2005	2004
Buildings	35 years	35 years
Furniture, fixtures, equipment	7 – 10 years	7 – 10 years
Plant	20 years	20 years

11. Investment properties

Investment properties are depreciated over an estimated useful economic life of 35 years.

	2005/EUR	2004/EUR
Net carrying amount at 1 January	17,021,062	17,055,492
Additions	47,672	89,621
Disposals	–	(8,102)
Transfers (Note 8.) to assets of a disposal group classified as held for sale	(11,781,152)	–
Transfer (Note 10.) from property, plant and equipment	251,667	–
Depreciation charge for the period	(500,663)	(445,850)
Exchange adjustment	(9,683)	329,901
Net carrying amount at 31 December	**5,028,903**	**17,021,062**

Investment properties:

	2005/EUR	2004/EUR
Cost	6,259,161	19,169,253
Accumulated depreciation and impairment	(1,230,258)	(2,148,191)
Net carrying amount at 31 December	**5,028,903**	**17,021,062**
■ Thereof pledged as security for loans and borrowings	4,680,796	16,658,428
■ Thereof land value	869,954	2,562,912

As of the end of the reporting period, property valuation opinions have been procured. According to these opinions, the fair market value of the Group’s investment properties amounts to Euro 6,323,407 (2004: Euro 17.4 million).

Income from investment properties	**2005/EUR**	2004/EUR
Rental income	2,580,223	2,542,663
Direct expenses (non-chargeable expenses)	(464,046)	(520,821)
Expenses for repairs and maintenance	(50,683)	(29,978)

Income from investment properties also includes contributions of companies classified as “Held for sale” as of reporting date.

12. Intangible assets

Computer software is amortised over an estimated useful economic life of 5 years.

	Computer software EUR	(Negative) goodwill EUR	Total EUR
Net carrying amount at 31 December 2003	240,480	(1,206,718)	(966,238)
Restatement of comparative amounts (Note 2.3.2.)	123,583	–	123,583
Restated net carrying amount at 1 January 2004	**364,063**	**(1,206,718)**	**(842,655)**
Changes in the scope of consolidation	22,102	–	22,102
Additions	18,254	–	18,254
Transfers (Note 10.)	30,094	–	30,094
Amortisation	(116,307)	56,126	(60,181)
Net carrying amount at 31 December 2004	**318,206**	**(1,150,591)**	**(832,385)**
Cost	615,090	(1,150,591)	(535,501)
Accumulated amortisation and impairment	(296,884)	–	(296,884)
Net carrying amount at 31 December 2004	**318,206**	**(1,150,591)**	**(832,385)**
Net carrying amount at 31 December 2004	318,206	(1,150,591)	(832,385)
Transfer of negative goodwill (Note 2.10.)	–	1,150,591	1,150,591
Net carrying amount at 1 January 2005	318,206	–	318,206
Transfers (Note 8.)	(268)	–	(268)
Changes in the scope of consolidation	(13,736)	6,089,466	6,075,729
Additions	22,978	–	22,978
Amortisation	(118,099)	–	(118,099)
Exchange adjustments	19	–	19
Net carrying amount at 31 December 2005	**209,100**	**6,089,466**	**6,298,566**
Cost	641,067	6,089,466	6,730,533
Accumulated amortisation and impairment	(431,967)	–	(431,967)
Net carrying amount at 31 December 2005	**209,100**	**6,089,466**	**6,298,566**

13. Impairment of Goodwill

Goodwill acquired through business combinations has been allocated to cash generating units for impairment testing as follows:

Carrying amount of goodwill	**2005/EUR**	2004/EUR
■ Warimpex Leasing AG (Hotel Amber Baltic and Hotel Savoy)	5,784,513	–
■ Grassi Hotelbeteiligungs- und Errichtungs GesmbH/Recoop Tour a.s. (Hotel Diplomat)	304,952	–
■ Vega Holding s.r.o. (Hotel Dvořák)	–	(1,150,591)
	6,089,466	**(1,150,591)**

For the reporting period, goodwill results from business combinations where the acquisition cost was determined on the basis of future cash flow expectations. Expert opinions on the replacements costs of identifiable assets acquired in the business combination were obtained and identifiable assets were stated accordingly.

14. Available-for-sale-investments

	2005/EUR	2004/EUR
Mutual fund certificates – listed	1,778,637	953,276
Shares – unlisted	252	–
	1,778,889	**953,276**

Listed mutual fund certificates contain fixed income mutual funds. Of these, fund certificates with a carrying amount of Euro 1,154,198 have been pledged as security for a project loan, other certificates with a carrying value of Euro 624,439 are held to cover obligations for pensions and severance payments.

15. Other financial assets

	2005/EUR	2004/EUR
Loans	4,969	6,971,266
Advances made for business combinations	49,755	–
Loans made to joint ventures	9,179,519	6,715,336
Deposits with banks pledged as collateral	5,000,000	913,451
Loans to managers	108,814	–
Pension reimbursement insurance rights	661,780	616,951
Other non-current financial assets	313,909	396
	15,318,746	**15,217,400**

15.1. Loans

The comparative amounts for 2004 contain a loan to Warimpex Leasing AG in the amount of Euro 2,499,688 which was eliminated at the end of the reporting year due to the acquisition of Warimpex Leasing AG by Warimpex Finanz- und Beteiligungs AG.

Also contained is a loan to “UBX Luxembourg s.a.r.l.” with a carrying amount of Euro 0 (2004: Euro 4,471,578). Please refer to Note 6.5.

15.2. Advances made for business combinations

This item relates to stamp duties paid in December 2005 in connection with a notarial deed to acquire the company "Chopin Sp.z.o.o.". Reference is made to Note 24.8.

15.3. Loans made to joint ventures

As regards terms and conditions for loans granted to joint ventures, reference is made to Note 21.2.

15.4. Deposits with banks pledged as collateral

This item relates to the guarantee given in connection with the sale of "Andel Investment Praha s.r.o." and "Hotel Andel's Praha a.s." described in Note 3.6. Interest accruing on the deposit can be withdrawn by the Company.

The amount stated in comparative prior period data had been pledged as collateral for a guarantee in relation to Hotel InterContinental Warsaw.

15.5. Loans to managers

This item relates to a loan of PLN 420,000 to a manager of "Hansa Sp.z.o.o.". Upon acquisition of Warimpex Leasing AG, this loan was recognized in the consolidated financial statements of the Company.

As regards terms and conditions of this related-party loan, reference is made to Note 26.

15.6. Pension reimbursement insurance rights

This item relates to a pension reimbursement insurance taken out to cover parts of the pension obligations owed by the Company to its managing directors.

15.7. Other non-current financial assets

This position contains a receivable, which was purchased by a subsidiary in December 2005. The receivable is secured by a mortgage. The Group will participate in the auction for the property underlying the receivable in the following business year.

16. Inventories

	2005/EUR	2004/EUR
Materials and merchandise pertaining to the operations of hotels	882,429	705,195
Real estate development projects under development or construction	1,238,999	–
	2,121,429	**705,195**

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

Real estate development projects under development or construction relate to the residential real estate project "Örs Utca 7" in Hungary, which is scheduled to be completed in the summer of 2006. Presented within this position is the property-land value of Euro 679,589 as well as capitalised construction costs of Euro 995,261. Foreign currency translation differences of Euro –17,138 were charged to the foreign currency translation reserve.

A write-down of the project in the amount of Euro 418,712 was recognised within other expenses (Note 6.4.). The project is financed with debt and has been pledged as collateral for the loan.

17. Trade and other receivables (current)

	2005/EUR	2004/EUR
Trade receivables	2,454,373	3,442,532
Receivables due from joint ventures	34,123	420,646
Receivables due from related parties	22,405	4,829,893
Other current receivables and other current assets	2,235,518	2,066,566
	4,746,419	**10,759,637**

Trade receivables are non-interest bearing and are generally on 10 to 90 day terms. For details on receivables due from joint ventures, reference is made to Note 26.

Other current receivables contain receivables of Euro 133,770 which are subject to litigation (reference is made to Note 24.4.).

Also included within this position are receivables for taxes in the amount of Euro 1,316,049 (2004: TEUR 216). These receivables result primarily from VAT-refunds from investments made close to year-end and will be recovered after the reporting date.

18. Available-for-sale investments

Under a share purchase agreement of 27 December 2005, Warimpex Finanz- und Beteiligungs AG purchased 43,800 ordinary shares in Allgemeine Baugesellschaft – A. PORR Aktiengesellschaft, an Austrian company registered under FN 34853 f with the commercial court of Vienna and listed on the Vienna Stock Exchange under ISIN AT0000609607. The purchase price was Euro 115 per share, or a total of Euro 5.037 million for the shares acquired. The shares were transferred into the Group's portfolio on 10 January 2006. On this day the purchase price was also settled by the Company.

As disclosed in Notes 29.2. and 26.7., under a contract dated 30 December 2005, said shares were sold to Amber and Bocca Privatstiftung on equal terms. The sale was completed in the first quarter of 2006.

19. Cash and short-term deposits

	2005/EUR	2004/EUR
Cash at banks and in hand	6,890,842	4,950,565
Deposit pledged as security for a payment guarantee	1,025,767	–
Short-term deposits	11,015,840	–
	18,932,448	**4,950,565**

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

The fair value of cash and cash equivalents amounts to Euro 18,932,448 (2004: Euro 4,950,565). The deposit pledged as security for a payment guarantee relates to an arrangement to secure payment for 50% of the purchase price for a property, which was acquired by the joint venture “UBX Krakau Sp.z.o.o.” under a notarial deed dated 21 December 2005. The joint venture partner has procured a bank guarantee for the same amount, which is also secured by a term deposit. The purchase price for the property is due by 30 June 2006.

20. Other reserves

	Revaluation reserve EUR	Net unrealised gains/losses reserve EUR	Foreign currency translation reserve EUR	Total EUR
At 1 January 2004	439,089	(260,831)	(6,615)	171,644
Foreign currency translation	–	–	125,481	125,481
± (Deferred) tax effects of currency translation	–	–	(2,922)	(2,922)
Net unrealised gains (losses) of available-for-sale investments	–	15,356	–	15,356
± (Deferred) tax effects of net unrealised gains (losses)	–	(3,523)	–	(3,523)
Net gains (losses) from hedging	–	80,000	–	80,000
(Deferred) tax effects from hedging	–	(19,200)	–	(19,200)
Other transfers	–	–	(12,174)	(12,174)
At 1 January 2005	**439,089**	**(188,198)**	**103,770**	**354,661**
Foreign currency translation	–	–	66,795	66,795
± (Deferred) tax effects of currency translation	–	–	(5)	(5)
Revaluation of land and buildings (IFRS 3)	7,050,993	–	–	7,050,993
Tax effects of revaluation	(1,692,238)	–	–	(1,692,238)
Net unrealised gains (losses) of available-for-sale investments	–	17,422	–	17,422
± (Deferred) tax effects of net unrealised gains (losses)	–	(5,112)	–	(5,112)
Net gains (losses) from hedging	–	189,330	–	189,330
(Deferred) tax effects from hedging	–	(45,439)	–	(45,439)
Other transfers	–	–	(9,505)	(9,505)
At 31 December 2005	**5,797,844**	**(31,997)**	**161,055**	**5,926,903**

According to IFRS 3, it is imperative that for all business combinations achieved in stages, the fair values of the acquiree’s identifiable assets and liabilities have to be recognized for the complete share, including previously held interests. The increase in fair values relating to previously held interests of the acquiree is to be accounted for as a revaluation; the resulting surplus must be credited to a revaluation reserve.

As explained in Note 3.5., a business acquisition achieved in stages was completed in the reporting period. The revaluation reserve presented for previous periods results from the revaluation of formerly vacant land.

21. Interest-bearing loans and borrowings

Current	**2005/EUR**	2004/EUR
Bank overdrafts	2,054,787	6,694,824
Bridge loans	1,458,037	1,325,613
Project loans	6,073,819	5,389,102
Project loans with breaches of loan agreements on the reporting date	17,335,685*	17,766,821*
Liability from the acquisition of available-for-sale investments (Note 28.1.)	5,037,000	–
21.3. Other loans	80,586	4,253,306
	32,039,914	**35,429,666**
Non-current		
Project loans	85,483,830	90,687,432
21.1. Bridge loans	10,730,994	10,730,994
21.2. Loans from joint ventures	8,997,461	6,943,822
21.4. Loans from minority interests	278,946	53,782
	105,491,231	**108,416,030**
Total interest-bearing loans and borrowings	**137,531,145**	**143,845,696**

*) This position relates to two long-term project-loans, which were repaid by the Group on schedule. However, since certain conditions of the loan agreements have not been adhered to as of the reporting date, these loans have to be presented as current liabilities according to IFRS. Since debt service on the loans has always been on schedule, there is no intention by the financing banks to demand immediate repayment in full. The planned debt-service on these two loans for the next year amounts to TEUR 1,071 (2004: TEUR 1,048).

All bank overdrafts, bridge loans and project loans with a total amount of Euro 123,137,152 are secured by mortgages on land and buildings.

Interest rate risk and hedging instruments in respect of interest rate risk are discussed in Note 28. For a repayment schedule, please refer to Note 28.1.

21.1. Bridge loans

■ Office building "Apexim", Warsaw The loan is included at the Group's proportionate share in the joint venture "GF Ramba Sp.z.o.o.".	At 1/1/2005 EUR	Outstanding: Average 2005 EUR	At 31/12/2005 EUR	EURIBOR
	1,325,613	1,391,825	1,458,037	+1.20%

The bridge loan is of a short-term maturity as of the end of the reporting period. However, in the first quarter of 2006 an indicative offer for a loan of up to Euro 8 million has been made to refinance the bridge loan as well as the expansion of the office building, which had been acquired at the end of 2004. According to the terms of this indicative offer, the loan would have a maturity of 10 years and would be repaid in 36 quarterly instalments according to a 15-year amortisation period. The remaining amount would be due in full by 31 March 2016.

■ Office building Leuchtenbergring, Munich The loan is included at the Group's proportionate share in the joint venture "Bürohaus Leuchtenbergring GmbH & Co. Besitz KG".	At 1/1/2005 EUR	Outstanding: Average 2005 EUR	At 31/12/2005 EUR	EURIBOR
	10,730,994	10,730,994	10,730,994	+0,75%

The loan was taken out in 2002 to finance the acquisition of the office building "Leuchtenbergring" in Munich, Germany. It is secured by a mortgage on the property. It is planned to develop a hotel on the property on which the building is currently located until 2007. Up to this point, the loan is given as a "bridge loan" on which only interest is payable. The bridge loan was prolonged until 31 December 2007 and is expected to be converted to a project loan or be further prolonged according to the status of the project.

Interest conditions for current and non-current financial liabilities

Total financial liabilities	**2005/EUR**	2004/EUR
■ Thereof non-interest-bearing	5,037,000	–
■ Thereof carrying fixed interest	245,263	41,645,313
■ Thereof carrying variable interest	132,248,882	102,200,382
	137,531,145	**143,845,695**

Range of interest conditions (valid for both, 2005 and 2004)		
■ Bank overdrafts	BUBOR / EURIBOR	+1.5% – 3.65%
■ Project loans (including loans where there is a breach of the loan agreement as of the reporting date)	CHF-LIBOR / EURIBOR	+0.5% – 2.25%
■ Bridge loans	EURIBOR	+0.75% – 1.2%
■ Loans from joint ventures	EURIBOR	+1.0% – 1.5%
■ Loans from minority interests	EURIBOR	+1.0% – 1.5%
■ Other loans	EURIBOR	+1.0% – 1.5%

21.2. Loans received from joint ventures

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

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

	Loans given to joint ventures (see Note 15.)		Loans received from joint venture partners	
	2005	2004	2005	2004
	EUR	EUR	EUR	EUR
Sienna Hotel Sp.z.o.o., Hotel InterContinental Warsaw	(6,445,298)	(4,900,411)	6,455,970	5,375,219
Bürohaus Leuchtenbergring GmbH & Co. Besitz KG	(837,162)	(708,061)	820,584	694,040
GF Ramba Sp.z.o.o., office building “Apexim”, Warsaw	(245,693)	(133,188)	245,653	–
Intercom a.s., Multiplex Center Brno (classified as “held for sale” at the end of the reporting period)	–	(802,377)	–	799,676
Thermo Energia Sp.z.o.o.	(32,592)	–	34,948	–
UBX Katowice Sp.z.o.o.	(3,513)	–	3,169	–
UBX Prag 1 s.r.o., Hotel “Angelo”, Prague	(833,184)	–	710,897	–
UBX Prag 2 s.r.o., office building, Prague	(476,343)	–	409,367	–
UBX Plzen s.r.o., hotel project	(22,405)	–	33,528	–
GHB Hotelbeteiligungs- und Errichtungs GesmbH	–	(171,299)	–	74,888
	(8,896,189)	**(6,715,336)**	**8,714,118**	**6,943,822**

	Loans given to joint venture partners by the joint venture (see Note 15.)		Loans received from joint ventures	
	2005	2004	2005	2004
	EUR	EUR	EUR	EUR
UBX Development s.a.r.l., France	(283,329)	–	283,344	–

21.3. Other short-term loans

This item relates to the remaining liability against the former owner of “Prozna Properties Sp.z.o.o.”, which was acquired in the reporting period.

21.4. Loans from minority interests

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

22. Provisions

22.1. Pensions and other long-term employee benefit plans

(Note 2.20.)	Contractual Pension Commitments	Legal obligation to pay Severance Payments	Legal obligation to pay Long-term service bonus	Total
	EUR	EUR	EUR	EUR
At 1 January 2005	3,195,977	441,711	48,880	3,686,568
Benefits paid	(74,900)	(40,441)	–	(115,341)
Service costs	159,272	(29,393)	2,862	132,741
Interest costs	135,829	25,178	2,786	163,793
Actuarial losses	(17,143)	–	–	(17,143)
At 31 December 2005	**3,399,035**	**397,055**	**54,528**	**3,850,618**

22.2. Other provisions

	Current Provisions	Onerous Contracts	Non-current Litigation Risks	Total
	EUR	EUR	EUR	EUR
At 31 December 2004	2,317,467	–	393,908	2,711,374
Restatement of comparative amounts (Note 2.3.2.)	80,668	–	–	80,668
At 1 January 2005	2,398,134	–	393,908	2,792,042
Changes in the scope of consolidation	(590,091)	–	–	(590,091)
Arising during the year	1,240,990	2,467,429	–	3,708,419
Utilised	(1,472,941)	–	–	(1.472,941)
Unused amounts reversed	(928)	–	(393,908)	(394,835)
Exchange adjustment	9,515	–	–	9,515
Transfers (Note 8.)	(4,774)	–	–	(4,774)
At 31 December 2005	**1,579,906**	**2,467,429**	**–**	**4,047,335**

- Current provisions contain legal and audit fees for the parent company the amounts of which are uncertain at reporting date. The provision accrued for these costs amounts to TEUR 780.3. Additionally, the position contains liabilities of uncertain amount incurred by the Group's subsidiaries. It is estimated that the cash outflow from these liabilities will occur within 12 months.

- As regards the provision for onerous contracts, reference is made to Note 3.6.

- Prior-year provisions for litigation risks relate to pending claims against Recoop Tour a.s. for payment of rent on the property. Since Recoop Tour a.s. purchased the property in August 2005 and no pending rent obligations remain, the provision was reversed and the amounts credited to other expenses.

23. Trade and other payables (current)

	2005/EUR	2004/EUR
Trade payables		
Due to joint ventures	169,919	–
Due to related parties	8,198,406	1,585,139
Due to minority interests	275,639	–
Due to third-party creditors	3,484,757	4,872,597
	12,128,721	**6,457,736**
Rent received in advance and membership fees received in advance	19,457	174,450
Advance payments received	219,861	92,978
Current tax liabilities (excluding income taxes)	98,206	557,201
Accruals for compensated absences	115,501	72,981
Liabilities for social security contributions	298,044	206,286
Other (current) payables	807,384	500,412
	1,558,453	**1,604,308**
Purchase price obligation from a business combination, outstanding at 31 December 2005 Jewish Renaissance Foundation USA (Note 3.1.)	253,566	–
Purchase price for a property acquired on 21 December 2005 secured by committed bank deposit (Note 19.)	1,014,580	–
	14,955,320	**8,062,044**

Terms and conditions of the above financial liabilities:

For terms and conditions relating to related parties, please refer to Note 26.

Trade payables are non-interest-bearing and are normally settled within 10 to 60 days. Current tax liabilities and liabilities for social security contributions are non-interest-bearing, except for late payment. These liabilities are generally due within 30 days. Other (current) liabilities are non-interest-bearing and also contain liabilities owed to employees for wages and salaries for December 2005.

24. Other commitments and contingencies, litigation

24.1. Obligation to complete Hotel "Angelo", Prague (CZ)

Under a construction contract of 1 June 2005, the joint venture UBX Prag 1 s.r.o. is obliged to have the Hotel Angelo in CZ-Prague constructed to completion. The construction works are scheduled to be completed in the first half of 2006 and Hotel Angelo is planned to open on schedule in the summer of 2006. The investment volume for 2006 will amount to approx. Euro 4 million (relating to the Group's share in the joint venture).

24.2. Obligation to complete an office building in Prague (CZ)

Under a construction contract dated 1 September 2005, the joint venture UBX Prag 2 s.r.o. is obliged to have an office building in CZ-Prague constructed to completion. Construction works will probably be completed in autumn of 2006. The investment volume for the year 2006 will amount to approx. Euro 4 million (relating to the Group's share in the joint venture). Concerning financing of this project, a binding agreement with an Austrian bank exits as of reporting date.

24.3. Obligation to construct the Hotel "Andel's" in Krakow (PL)

Under a notarial deed dated 21 December 2005, the joint venture UBX Krakau Sp.z.o.o. acquired a property in Krakow and has entered the obligation to construct a hotel on the property. The hotel construction must be completed within 15 months after receipt of the building permit. Liquidated damages in the amount of Euro 100,000 are due for each violation of this obligation if the violation results from gross negligence; however, total liquidated damages are capped at Euro 1 million. Additionally, an option to repurchase the property has been entered and will be effective if no building permit can be acquired within 6 months.

After reporting date, the building permit was granted and construction works started in March 2006. The Group believes that the hotel will be completed in time.

24.4. Litigation

(a) Other receivables contain a receivable with a carrying amount of Euro 133,770, which is subject to litigation. The receivable is secured with a pledge on real estate.

(b) The 50% joint venture UBX Development s.a.r.l., which completed and transferred the "Dreamcastle Hotel" at EuroDisney Paris in 2004 was approached by a subcontractor who threatens to sue the company for an amount of approximately Euro 3.1 million for additional services rendered in addition to the subcontracting agreement. Based on legal advice, the outcome of legal proceedings, if such proceedings are eventually initiated, and the amount of a potential settlement payment can not be estimated. As of the time of preparation of the financial statements, no claim had been filed in court. Management believes that the claim is not justified.

(c) In the reporting period, the subsidiary Recoop Tour a.s. purchased a freehold interest in the property on which the Hotel "Diplomat" in Prague is located and was registered as legal owner in the land register. Although the seller of the property was declared rightful owner in a ruling by the court of appeals, a third party has filed an extraordinary appeal since this third party claims rights to the title in the property. The acquisition of the property by Recoop Tour a.s. and the registration of Recoop Tour a.s. in the land register was not appealed against by this third party. If this property acquisition would have to be reversed, Warimpex Finanz- und Beteiligungs AG has given a guarantee for Euro 2.5 million in favour of the financing bank for the loan which is secured by a mortgage.

24.5. Contingent liabilities

(a) The hotel project “Dreamcastle Hotel” at EuroDisney Paris was completed and the hotel was transferred to the owner UBX (II) France s.a.r.l., a subsidiary of Raiffeisen Leasing AG, Vienna on time in the summer of 2004 by the joint venture UBX Development s.a.r.l.

There are contingent purchase obligations, which could theoretically become effective during the operations phase of the hotel and affect the Warimpex Group at its 50% joint venture share in the project in the amount of the residual value discounted for 15 years. As of reporting date, the owner-company UBX (II) France s.a.r.l. has outstanding bank loans of Euro 49 million.

(b) During the reporting period, the company Prozna Properties Sp.z.o.o. was acquired. This subsidiary has given a guarantee to the municipality of Warsaw to reconstruct a property, which is subject to landmark protection. Furthermore, the municipality of Warsaw was given the promise to start renovation works until 31 December 2005 and to complete them by 31 December 2008 at the latest. In case of a violation of these bonds and guarantees, an amount of USD 560,000 would have to be paid to the municipality of Warsaw.

During the reporting period, the subsidiary Prozna Properties Sp.z.o.o. applied for a building permit. However, due to opposition from local activists the proceedings for the building permit stalled. After the balance sheet date a settlement was reached and the procedure to acquire the building permit was resumed.

In case the building permit would not be granted until 31 December 2005 due to gross negligence of the part of the Company, a penalty of 7% of the land value could become payable. The land value of the property is estimated at PLN 10.2 million, which also represents the basis for the groundlease. Management believes that the penalty will not become payable. It is anticipated that construction works on this project commence in the fourth quarter of 2006.

24.6. Call option concerning the joint venture UBX Prag 1 s.r.o. (Hotel Angelo)

In the reporting period, the Company sold a call option on its interest in the joint venture to an Austrian insurance company. The joint venture was in the process of constructing Hotel Angelo in 2005, and it is planned to start operations of hotel “Angelo” in mid 2006. The call option may be exercised from 2007 up to 3 years after the opening of the hotel. From the call option, no indications for an impairment of the joint venture’s assets can be inferred, nor does it constitute a liability to be recognised.

24.7. Contractual bonds and guarantees

■ Relating to the sale of hotel "Andel's"		
GOP-Guarantee (Note 3.6.)	EUR	5,000,000
Contingent liability (Note 26.5.)	EUR	1,000,000
■ Relating to the acquisition of an office building in Hungary		
refer to Note 29.1.	EUR	3,900,000
■ Relating to project-loans of joint ventures		
Joint venture Sienna Hotel Sp.z.o.o.*	EUR	835,000
Joint venture Thermo Energia Sp.z.o.o.	PLN	2,000,000
Joint venture UBX Prag 1 s.r.o.	EUR	2,500,000

*) The guarantee relating to the joint venture Sienna Hotel Sp.z.o.o. was partly drawn in the first quarter of 2006 and accounted for as a loan to the joint venture.

24.8. Purchase obligation Chopin

Under a notarial deed dated 23 December 2005, the Company has incurred the obligation to purchase Chopin Sp.z.o.o., with headquarters in Krakow (PL). This company owns and operates the Hotel "Chopin". The purchase price for the shares in the company amounts to Euro 3 million and accounts for open loan liabilities of the company to be acquired in the amount of Euro 10 million. Additionally, upon acquisition of the company a shareholder loan of Euro 0.7 million (bearing interest of 5% p.a.) has to be taken over from the old owner.

The purchase contract of 23 December 2005 contains several conditions precedent to closing, which were not been fulfilled during the reporting period. According to the contract, the purchase shall be null and void if the conditions precedent to closing have not been fulfilled by 30 June 2006 or the necessity of such fulfilment has been waived by the parties.

The Polish stamp duties due on the contract have already been paid in December 2005 and are presented within advance payments made for business combinations in the amount of Euro 49,755. Reference is made to Note 15.2.

24.9. Other disclosures

The joint venture "Thermo Energia Sp.z.o.o.", in which the Group owns a 40% share has been granted 18,000 CO_2 emission rights in the reporting period. Due to the new legal environment it was not possible to clearly determine how many of these emission rights were consumed by the joint venture until the end of preparation of the financial statements and hence it could not be established how many emission rights represent assets.

The joint venture estimates that it has consumed approx. 12,000 emission rights. The difference between the emission rights granted and used by the joint venture have not been accounted for due to immateriality since the Group owns only a 40% share in these assets.

25. Companies included in the consolidated financial statements

The consolidated financial statements include the financial statements of **Warimpex Finanz- und Beteiligungs AG** and the following subsidiaries and joint ventures:

Company	Registered office	% Equity interest direct	% Equity interest indirect	Method of consolidation 2004	Method of consolidation 2005
Grassi Hotelbeteiliungs- und Errichtungs GesmbH	A-Vienna	50%	–	PC	FC
Warimpex Leasing AG	A-Vienna	100%	–	–	FC
WX-Leuchtenbergring GmbH	D-Munich	100%	–	FC	FC
Bürohaus Leuchtenbergring GmbH & Co. Besitz KG	D-Munich	–	49.50%	PC	PC
Bürohaus Leuchtenbergring GmbH & Co. KG	D-Munich	–	46.53%	PC	PC
Bürohaus Leuchtenbergring Verwaltungs GmbH	D-Munich	–	49.50%	PC	PC
UBX Development s.a.r.l.	F-Paris	50%	–	PC	PC
UBX II (France) s.a.r.l.	F-Paris	50%	–	–	PC
Hotelinvestments s.a.r.l.	LU-Luxembourg	50%	–	PC	PC
Synergie Patrimoine S.A.	LU-Luxembourg	100%	–	FC	FC
Intercom a.s.	CZ-Brno	50%	–	PC	PC
Tarabulus s.r.o.	CZ-Brno	100%	–	FC	FC
UBX Plzen s.r.o.	CZ-Prague	45%	–	PC	PC
UBX Prag 1 s.r.o.	CZ-Prague	45%	–	–	PC
UBX Prag 2 s.r.o.	CZ-Prague	45%	–	–	PC
E.I.H. a.s.	CZ-Prague	–	100%	–	FC
Balnex 1 a.s.	CZ-Prague	84.13%	15.87%	FC	FC
Recoop Tour a.s.	CZ-Prague	–	50%	PC	FC
Hotel Palace s.r.o.	CZ-Prague	50%	50%	FC	FC
Le Palais s.r.o.	CZ-Prague	100%	–	FC	FC
Vega Holding s.r.o.	CZ-Prague	100%	–	FC	FC
MEP s.r.o.	CZ-Prague	–	100%	FC	FC
Revital Rt.	HU-Budapest	81.72%	–	FC	FC
PAX-Invest kft	HU-Budapest	–	81.72%	FC	FC
Becsinvestor kft	HU-Budapest	–	81.72%	FC	FC
Goldmark kft	HU-Budapest	–	81.72%	FC	FC
Warimpex Investconsult kft	HU-Budapest	99.00%	–	FC	FC
Bocca kft	HU-Budapest	96.67%	–	FC	FC
Palminvest kft	HU-Budapest	96.67%	–	–	FC
Balnex 1 a.s., Kommanditgesellschaft	PL-Międzyzdroje	–	100%	FC	FC
Amber Baltic Sp.z.o.o.	PL-Międzyzdroje	–	100%	–	FC

Share capital	Currency	Primary segment	Ø Payroll	Functional currency 2004	Functional currency 2005
2,943,252	EUR	H&R	–	EUR	EUR
500,000	EUR	H&R	–	–	EUR
25,000	EUR	FMD	–	EUR	EUR
100,000	EUR	FMD	–	EUR	EUR
60,000	EUR	FMD	1.0	EUR	EUR
25,565	EUR	FMD	–	EUR	EUR
50,000	EUR	FMD	2.5	EUR	EUR
30,000	EUR	H&R	–	–	EUR
20,000	EUR	FMD	–	EUR	EUR
31,000	EUR	H&R	–	EUR	EUR
32,000,000	CZK	FMD	3.0	EUR	EUR
200,000	CZK	FMD	–	EUR	EUR
200,000	CZK	H&R	–	EUR	EUR
200,000	CZK	H&R	–	EUR	EUR
200,000	CZK	FMD	–	–	EUR
100,000,000	CZK	H&R	(60.4)*	–	EUR
155,000,000	CZK	H&R	107.0	EUR	EUR
24,000,000	CZK	H&R	97.5	EUR	EUR
26,000,000	CZK	H&R	105.6	EUR	EUR
50,000,000	CZK	H&R	67.1	EUR	EUR
100,000	CZK	H&R	–	EUR	EUR
82,800,000	CZK	H&R	2.0	EUR	EUR
220,500,000	HUF	FMD	9.0	HUF	HUF
3,000,000	HUF	FMD	–	HUF	HUF
35,380,000	HUF	FMD	–	HUF	EUR
34,100,000	HUF	FMD	–	HUF	HUF
10,000,000	HUF	FMD	2.0	HUF	EUR
3,000,000	HUF	FMD	–	HUF	EUR
3,000,000	HUF	FMD	–	–	HUF
2,842,840	PLN	H&R	–	EUR	EUR
38,325,000	PLN	H&R	(125.2)*	–	EUR

Company	Registered office	% Equity interest direct	% Equity interest indirect	Method of consolidation 2004	Method of consolidation 2005
■ Golf Amber Baltic Sp.z.o.o.	PL-Międzyzdroje	–	100%	–	FC
■ Hansa Sp.z.o.o.	PL-Międzyzdroje	–	100%	–	FC
■ Sienna Hotel Sp.z.o.o.	PL-Warsaw	26.66%	–	PC**	PC
■ Warimpex (Polska) Sp.z.o.o.	PL-Warsaw	100%	–	FC	FC
■ Kopernik Development Sp.z.o.o.	PL-Warsaw	83.33%	–	FC	FC
■ EI Invest (previously JK Gamba) Sp.z.o.o.	PL-Warsaw	41%	10%	FC	FC
■ Thermo Energia Sp.z.o.o.	PL-Warsaw	–	40%	–	PC
■ UBX Krakau Sp.z.o.o.	PL-Warsaw	50%	–	–	PC
■ UBX Katowice Sp.z.o.o.	PL-Warsaw	50%	–	–	PC
■ Multidevelopment Sp.z.o.o.	PL-Warsaw	100%	–	–	FC
■ Prozna Properties Sp.z.o.o.	PL-Warsaw	100%	–	–	FC
■ GF Ramba Sp.z.o.o.	PL-Warsaw	50%	–	PC	PC

*) During the reporting period, the companies E.I.H. a.s., Amber Baltic Sp.z.o.o., Golf Amber Baltic Sp.z.o.o. and Hansa Sp.z.o.o. had an average payroll of 208.4, however, these companies were included for the first time at the end of 2005.

**) Sienna Hotel Sp.z.o.o. was included in the consolidated financial statements for 2005. Comparative prior-period data presented for 2004 was restated.

Share capital	Currency	Primary segment	Ø Payroll	Functional currency 2004	2005
2,500,000	PLN	H&R	(16.3)*	–	EUR
430,000	PLN	H&R	(6.5)*	EUR	EUR
81,930,000	PLN	H&R	83.3	EUR	EUR
9,095,000	PLN	FMD	10.0	PLN	PLN
25,000	PLN	FMD	–	PLN	PLN
1,300,000	PLN	FMD	1.0	PLN	PLN
500,000	PLN	FMD	–	–	PLN
50,000	PLN	H&R	–	–	EUR
50,000	PLN	H&R	–	–	PLN
50,000	PLN	FMD	–	–	PLN
3,650,000	PLN	H&R	–	–	PLN
138,800	PLN	FMD	2.0	PLN	PLN

26. Related party disclosures

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

Amber Privatstiftung A-1090, Porzellangasse 4 FN 178109a HG Wien	Owns 20% of Warimpex Finanz- und Beteiligungs AG Owns 30.4% of Vienna International AG
Bocca Privatstiftung A-1090, Porzellangasse 4 FN 178104v HG Wien	Owns 20% of Warimpex Finanz- und Beteiligungs AG Owns 30.4% of Vienna International AG
Franz Jurkowitsch A-1130, Einsiedeleigasse 15	Owns 30% of Warimpex Finanz- und Beteiligungs AG and is managing director of Warimpex Finanz- und Beteiligungs AG
Georg Folian A-1060, Köstlergasse 4/17	Owns 30% of Warimpex Finanz- und Beteiligungs AG and is managing director of Warimpex Finanz- und Beteiligungs AG
Vienna International AG A-1200 Dresdnerstrasse 87	Manager of all hotels operated by the Group, with the exception of Hotel InterContinental Warsaw.

	Group shareholders			
	Amber Privatstiftung	Bocca Privatstiftung	Franz Jurkowitsch	Georg Folian
	EUR	EUR	EUR	EUR
Receivables at 1 January 2005	2,291,926	2,218,632	–	–
Revenues resulting from				
■ Administration cost sharing	–	–	–	–
■ Referral fees	–	–	–	–
■ Interest	57,267	58,137	–	–
Payments received	(1,219,426)	(1,146,132)	–	–
Changes in the scope of consolidation	–	–	–	–
Transfers	(1,129,767)	(1,130,637)	1,788	–
Receivables at 31 December 2005	**–**	**–**	**1,788**	**–**
Payables at 1 January 2005	–	–	(509,701)	(499,654)
Purchase of Warimpex Leasing AG	(2,350,000)	(2,350,000)	–	–
■ Management Fee	–	–	–	–
■ Dissolution of management contract for Hotel Andel's	–	–	–	–
■ Interest	–	–	(16,715)	(15,819)
Payments made	–	–	528,204	515,472
Changes in the scope of consolidation	(1,617,453)	(1,617,453)	–	–
Transfers	1,129,767	1,130,637	(1,788)	–
Payables at 31 December 2005	**(2,837,686)**	**(2,836,817)**	**–**	**–**
	(2,837,686)	**(2,836,817)**	**1,788**	**–**

Related parties			
Vienna International	Warimpex Leasing AG and subsidiaries	KDAG Data GmbH	Total
EUR	EUR	EUR	EUR
–	2,813,023	6,000	7,329,580
797	70,490	10,000	81,287
15,000	–	–	15,000
–	72,500	–	187,904
(15,000)	141,435	2,000	(2,237,123)
1,820	(2,988,634)	–	(2,986,814)
–	–	–	(2,258,616)
2,617	**108,814**	**18,000**	**131,219**
(575,785)	–	–	(1,585,139)
–	–	–	(4,700,000)
(2,634,768)	–	–	(2,634,768)
(1,000,000)	–	–	(1,000,000)
–	–	–	(32,534)
3,254,418	–	–	4,298,095
(1,567,769)	–	–	(4,802,675)
–	–	–	2,258,616
(2,523,903)	**–**	**–**	**(8,198,406)**
(2,521,286)	**108,814**	**18,000**	**(8,067,187)**

26.1. Transactions in 2004

In 2004, the companies "Amber Baltic Sp.z.o.o.", "Golf Amber Baltic Sp.z.o.o." and "Hansa Sp.z.o.o." were sold and transferred to Warimpex Leasing AG for a purchase price of Euro 1 each. The consolidated income from this transaction in 2004 amounted to Euro 0.

Management fees charged by Vienna International AG amounted to Euro 2,182,633. Cost allocations from the lease of the Hotelship Hansa and other administrative fees amounted to Euro 56,579.

Interest income from loans and advances made to Amber and Bocca Privatstiftung and Warimpex Leasing AG amounted to Euro 74,378. Interest expenses for loans and advances from Mr. Folian and Mr. Jurkowitsch amounted to Euro 17,065.

26.2. Terms and conditions

Clearing accounts of the Group with Amber and Bocca Privatstiftung carry interest of 3%, those with Mr. Folian and Mr. Jurkowitsch interest of 4% p.a. Transactions with Vienna International result from management fees and are generally viewed as trade payables and therefore non-interest bearing.

26.3. KDAG Data GesmbH

Amber and Bocca Privatstiftung and Mr. Folian/Mr. Jurkowitsch hold a combined interest of 50% in this company. Warimpex Finanz- und Beteiligungs AG provides accounting services for the company and charges Euro 2,500 per quarter for these services. During the reporting period, no payments were received; VAT charged on the transaction was also outstanding.

26.4. Warimpex Leasing AG and subsidiaries

Until the end of the reporting period, Warimpex Leasing AG (and its subsidiaries) were treated as related parties. A loan disbursed to Warimpex Leasing AG carries interest of 3% p.a. Administration cost-sharing fees of Euro 12,000 were charged by Warimpex Finanz- und Beteiligungs AG to Warimpex Leasing AG; also included in this position are lease payments charged by Balnex 1 a.s. KG Międzyzdroje to Hansa Sp.z.o.o., and service charges by the joint venture "Recoop Tour a.s." to "E.I.H. a.s.".

Upon acquisition of Warimpex Leasing AG (Note 3.2.), the receivables against this company (and its subsidiaries) were eliminated against the liabilities acquired.

The remaining balance relates to a loan to a manager of Hansa Sp.z.o.o. Reference is made to Note 15. This loan is presented within other long-term financial assets, has a fixed term, and shall be repaid by the contribution of a real property which is currently privately held by the manger.

26.5. Vienna International AG

This company manages several national and international hotels including all Warimpex hotels with the exception of Hotel InterContinental Warsaw. The management contracts have been concluded at arms length's. As a rule, terms and conditions of these contracts are as follows:
Management Fee 1: 4% of revenues, Fee 2: 8% of (GOP less Management Fee 1).

Management contracts are usually concluded on a term of 15 years and contain clearly defined terms regarding the termination of the contract for justified and unjustified reasons. Usually compensation payments of 2 average annual management fees have to be paid upon a preliminary termination of the contract for unjustified reasons.

During the reporting period, a preliminary termination of a management contract emerged in connection with Hotel "Andel's" which was sold (refer to Note 3.6.). The compensation payment amounted to Euro 1 million. A further amount of Euro 1 million will be payable under the condition, that the new owner terminates the management agreement prior to 2014.

The increase from changes in the scope of consolidation relates to the company Recoop Tour a.s., which was fully consolidated as of 11 November 2005 (until this date it was included under proportionate consolidation). Recoop Tour a.s. owes management fees of approx. Euro 2 million to Vienna International and these liabilities are subordinated to Recoop Tour a.s.'s bank loan. This liability is planned to be settled by refinancing of the hotel.

26.6. Compensation paid to related parties

The total amount of compensation paid to the managing directors was approximately Euro 408,710.06 in the reporting period. Fees to non-executive directors (supervisory board) amounted to Euro 51,930 (2004: Euro 58,820) and are reported in "Other expenses" (Note 6.4.).

26.7. Forecast for 2006

In the first quarter of 2006, the company sold shares worth Euro 5,037,000 to Amber and Bocca Privatstiftung. The purchase price was credited to the clearing accounts with the trusts (Reference is made to Note 18.).

26.8. Joint Ventures

	2005/EUR	2004/EUR
Revenues from transactions with joint ventures (Note 6.1.)	1,076,847	631,681
Services received from joint ventures (Note 6.4.)	(218,332)	–
Loans to joint ventures (Note 21.2.)	9,179,519	6,715,336
Interest income on loans to joint ventures (Note 6.6.)	335,660	335,842
Loans from joint ventures and joint venture partners (Note 21.2.)	(8,997,461)	(6,943,822)
Interest expense on loans received from joint ventures (Note 6.5.)	(305,575)	(278,007)

27. Financial risk management objectives and policies

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts and cash and cash deposits. The main purpose of these financial instruments is to raise finance 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.

Loans received from joint ventures and loans extended to joint ventures are, in substance, equity instruments and are not regarded as financial instruments by the Group.

The Group also enters into derivatives transactions which are intended to reduce the Group's exposure to interest rate risk on the one hand and to provide a general risk reduction and to utilise opportunities in the market on the other hand.

27.1. Interest rate risk

The Group's exposure to the risk for changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group uses derivative financial instruments to control its interest rates and interest rate risk. Hedge accounting for interest rate risk is not applied. Reference is made to Note 28.2.

27.2. Foreign currency risk

Foreign currency risk results primarily from loans and other interest-bearing liabilities denominated in foreign currencies (primarily CHF). There are neither natural hedges nor does the Group systematically use derivative financial instruments to hedge its exposure to foreign currency risk.

As a result, gains of Euro 161,571 (2004: losses of Euro 119,458) from the effect of foreign exchange rate fluctuations on loans and other interest-bearing liabilities were incurred and recognized for the reporting period.

Debt finance denominated in PLN and HUF does not expose the Group to foreign currency risk since the relevant subsidiary's functional currency is the same as the currency in which the loan is denominated.

The denomination in terms of currency for financial liabilities can be analysed as follows:

	2005	2004		**2005**	2004
CHF	69,931,956	17,402,025	EUR	45,146,517	11,318,390
PLN	946,668	–	EUR	245,263	–
HUF	467,936,125	–	EUR	1,850,501	–
			EUR	90,288,865	132,527,306
			EUR	**137,531,145**	**143,845,696**

Additionally, foreign exchange risk exists for those Group companies that operate hotels in relation to personnel expenses and expenses for materials and services received, which have to be paid in the local currency whereas revenues are generally based on the Euro and the debt service must also be paid in Euro.

27.3. Credit risk

The amounts stated as assets on the face of the consolidated balance sheet represent the maximum credit risk and risk of loss since there are no general settlement agreements. Credit risk associated with investments and other securities is limited, since these assets are only held by the parent company and its Austrian subsidiaries, and the Group's portfolio of securities contains only fixed income securities and mutual funds which have been issued by financial institutions of the highest standing. Credit risk associated with cash and short-term deposits can be considered moderate since the Group only works as financial institutes, which demonstrate sound creditworthiness.

27.4. Liquidity risk

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

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

As a rule, long-term lease contracts exist for office buildings. Liquidity planning is based on budgeted rent income. For the Group's development and asset management activities, expected development costs are budgeted from the Group's own funds, whereas assets under construction are usually financed by project-specific financing. Free liquidity resulting from the sale of real estate is primarily used to finance the acquisition of and the equity contribution to new project developments.

28. Financial instruments

Primary financial instruments of the Group comprise financial instruments available for sale, trade receivables, and cash and short-term deposits. As regards liabilities, interest-bearing loans and liabilities and trade payables are classified as financial instruments.

The carrying amounts of primary financial assets generally correspond to their fair values. Also, it can be assumed that fair values of interest bearing loans and borrowings correspond to their carrying amounts since long term loans are floaters and other financial liabilities have a short term maturity.

28.1. Interest rate risk of primary financial instruments

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

Relating to the consolidated balance sheet, long-term project-loans breaching loan agreements are shown as due within one year. The management assumes that these project loans will be repaid over the agreed maturity.

Year ending 31 December 2005	Within 1 year TEUR	2007 TEUR	2008 TEUR
Cash and short-term deposits	18,932	–	–
Available-for-sale investments	6,816	–	–
Bridge loans	(1,458)	(10,731)	–
Loans where there is a breach of the loan agreement	(17,336)	–	–
Other borrowings from financial institutions	(7,092)	–	–
	(137)	**(10,731)**	**–**
Project loan Hotel Dvořák (until 2012)	(782)	(1,063)	(1,115)
Project loan Hotel Le Palais (until 2017)	(361)	(379)	(399)
Project loan Hotel Palace (until 2017)	(1,262)	(1,292)	(1,322)
Project loan Hotel Diplomat (until 2021)	(1,878)	(1,954)	(2,034)
Project loan Hotel Angelo (under construction – until 2016)	–	(258)	(269)
Project loan Hotel Savoy (until 2016)	(696)	(722)	(750)
Project loan Hotel Amber Baltic (until 2016)	(928)	(956)	(985)
Project loan Office building Cetelem (until 2018)	(167)	(171)	(177)
	(6,074)	**(6,795)**	**(7,051)**
	(6,211)	**(17,526)**	**(7,051)**

Year ending 31 December 2004	Within 1 year TEUR	2006 TEUR	2007 TEUR
Cash and short-term deposits	4,951	–	–
Available-for-sale investments	953	–	–
Bridge loans	–	(1,326)	(10,731)
Loans where there is a breach of the loan agreement	(17,767)	–	–
Other borrowings from financial institutions	(6,695)	–	–
	(18,558)	**(1,326)**	**(10,731)**
Variable interest rate loans:			
Project loan Hotel Dvořák	(742)	(782)	(1,063)
Project loan Hotel Le Palais	(343)	(361)	(379)
Project loan Hotel Palace	(1,162)	(1,162)	(1,162)
Project loan Hotel Diplomat	(965)	(1,000)	(1,000)
Project loan Multiplex Center Brno	(518)	(518)	(518)
Project loan Bürohaus Cetelem	(160)	(167)	(171)
	(3,889)	**(3,990)**	**(4,293)**
Project loan Hotel Andel's (fixed 5.75%)	(1,500)	(1,500)	(1,500)
	(23,947)	**(6,815)**	**(16,524)**

2009 TEUR	2010 TEUR	More than 5 years TEUR	Total TEUR
–	–	–	18,932
–	–	–	6,816
–	–	–	(12,189)
–	–	–	(17,336)
–	–	–	(7,092)
–	**–**	**–**	**(10,868)**
(1,167)	(1,167)	(2,751)	(8,044)
(419)	(441)	(6,053)	(8,051)
(1,352)	(1,372)	(10,473)	(17,073)
(2,116)	(2,202)	(24,055)	(34,239)
(281)	(293)	(300)	(1,402)
(779)	(809)	(5,354)	(9,110)
(1,014)	(1,045)	(5,979)	(10,907)
(184)	(191)	(1,841)	(2,731)
(7,313)	**(7,520)**	**(56,805)**	**(91,558)**
(7,313)	**(7,520)**	**(56,805)**	**(102,426)**

2008 TEUR	2009 TEUR	More than 5 years TEUR	Total TEUR
–	–	–	4,951
–	–	–	953
–	–	–	(12,057)
–	–	–	(17,767)
–	–	–	(6,695)
–	**–**	**–**	**(30,614)**
(1,115)	(1,167)	(3,917)	(8,786)
(399)	(419)	(6,494)	(8,394)
(1,162)	(1,162)	(8,105)	(13,915)
(1,000)	(1,000)	(6,353)	(11,318)
(518)	(518)	(6,537)	(9,126)
(177)	(184)	(2,034)	(2,892)
(4,371)	**(4,450)**	**(33,440)**	**(54,431)**
(1,500)	(1,500)	(34,145)	(41,645)
(5,871)	**(5,950)**	**(67,585)**	**(126,691)**

28.2. Hedging activities relating to interest-bearing loans and borrowings

As of reporting date, there are two derivative financial instruments relating to the financing of Hotel "Le Palais" and Hotel InterContinental Warsaw. The main terms and parameters of these collars are as follows:

Project loan Le Palais

Underlying: 3-month-EURIBOR	**2005/EUR**	2004/EUR
Notional amount at 31 December 2005	8,051,320	8,394,112
Fair value at 31 December 2005	(20,000)	(90,000)

Project loan InterContinental Warsaw (at the Group's share)

Underlying: 3-month-EURIBOR	**2005/EUR**	2004/EUR
Notional amount at 31 December 2005	17,090,421	17,766,821
Fair value at 31 December 2005	(597,274)	(613,272)

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

28.3. Other derivative financial instruments

As of the end of the reporting period, the Group is party to the following derivative financial instruments. All derivative financial instruments outstanding as of the reporting date have been concluded with Raiffeisenlandesbank Wien-Niederösterreich. Since there are no hedges for the exposures resulting from these financial instruments, the Group is subject to interest and exchange rate risk for the whole term of the contracts.

Interest rate swap		Sell	Buy	Fair value
Warimpex Finanz- und Beteiligungs AG	Notional amount EUR 20 mn	3-month-	3-month-	(54,139)
E.I.H. a.s., CZ Prague	Notional amount EUR 9 mn	CHF-LIBOR	EURIBOR	(24,362)

The companies receive interest based on the 3-month-EURIBOR on the basis of a notional amount of Euro 20 million or Euro 9 million, and pay interest of 1.99 x 3-month-CHF-LIBOR. These financial instruments have a term until 21 November 2006.

Knock Out CAP	Maturity Date				Fair value
Warimpex Finanz- und Beteiligungs AG	30/6/2009	Buy	Cap 15,000,000	3-month- EURIBOR 4%	34,247
	14/4/2008	Buy	Cap 5,000,000	3-month- EURIBOR 2%	111,363

In 2004, the Company purchased an interest rate cap based on the 3-month-EURIBOR for a notional amount of Euro 15 million. If the EURIBOR exceeds 4%, the Company receives the excess payment. The knockout rate is 6%.

FX Options	Maturity Date				Fair value
Warimpex Finanz- und Beteiligungs AG	10/4/2008	>=1.45	EUR/CHF	5 mn/Strike 1.525	(75,878)

Subject to the condition, that the CHF exchange rate falls to or below Euro 1.45 until 14 April 2008, the Company is obliged to purchase the CHF-equivalent of Euro 5 million for a fixed rate of 1.525. The option premium received by the Company for selling this option was granted in the form of an interest rate cap on the 3-month-EURIBOR, the strike price of which is 2%.

Negative fair values from derivative financial instruments are presented in current liabilities, positive fair values are presented in “Other financial assets”.

29. Events after the balance sheet date

29.1. Acquisition of “Pau kft”, merger with “Palminvest kft”

Under a share purchase agreement dated 23 December 2005, the subsidiary “Palminvest kft” purchased 100% of the shares in PAU 2005 Kft, which owns an office building in Hungary. The purchase is subject to the fulfilment of certain closing conditions. These conditions were met as of 1 February 2006 and the share purchase price was paid on 8 February 2006 by the financing institution, Bank Austria Creditanstalt AG. Please refer to Note 24.7.

29.2. Sale of the shares presented Note 18.

Under a share sale and purchase contract dated 20 February 2006 (transaction date 28 February 2006), the Company sold to Amber and Bocca Privatstiftung 21,900 shares each in A. PORR Aktiengesellschaft for a purchase price of Euro 115 per share. The purchase price was partially settled with open liabilities owed by the Company to the trusts.

29.3. Equity capital transactions

On 8 February 2006, an extraordinary shareholders’ meeting was convened in which the conversion of 15.000 par value shares into 15 million no par value shares was approved. It is scheduled that in the shareholders’ meeting of 18 May 2006 a capital increase (increase of share capital from the Company’s retained earnings) from Euro 15 million by Euro 15 million to Euro 30 million will be approved.

Vienna, 17 May 2006

Georg Folian　　　　Franz Jurkowitsch

Auditor’s Report (Translation)

“We have audited the consolidated financial statements of Warimpex Finanz- und Beteiligungs Aktiengesellschaft, Vienna for the fiscal year from 1 January 2005 to 31 December 2005. The Company’s management is responsible for the preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and for the preparation of the management report for the group in accordance with Austrian regulations. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the management report for the group is in accordance with the consolidated financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria and International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement and whether we can state that the management report for the group is in accordance with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, the economic and legal environment of the group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the consolidated financial statements predominantly on a sample basis. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements are in accordance with legal requirements and present fairly, in all material respects, the financial position of the group as of 31 December 2005 and of the results of its operations and its cash flows for the fiscal year from 1 January 2005 to 31 December 2005 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The management report for the group is in accordance with the consolidated financial statements.”

Vienna, 18 May 2006

VICTORIA
WIRTSCHAFTSTREUHAND-GESELLSCHAFT M.B.H.
WIRTSCHAFTSPRÜFUNGS- UND
STEUERBERATUNSGESELLSCHAFT

Ulrike Watzek m.p.
Certified Accountant

ERNST & YOUNG
WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT MBH

Helmut Maukner m.p.
Certified Accountant

ppa Alexander Wlasto m.p.
Certified Accountant

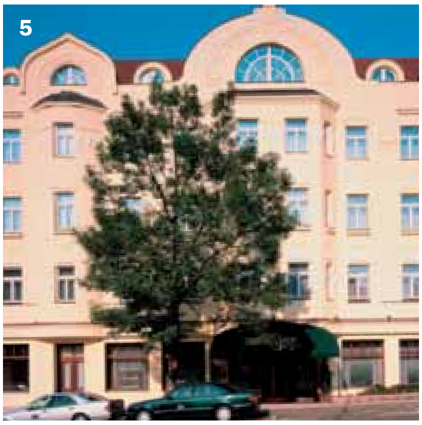
Some of the most important properties of Warimpex Group

1) Hotel Palace*****
CZ-111 21 Prague, 1, Panska 12
124 rooms (opened 1989)

2) Hotel Dvořák****
CZ-360 21 Karlovy Vary, Nová Louka 11
126 rooms (opened 1990)

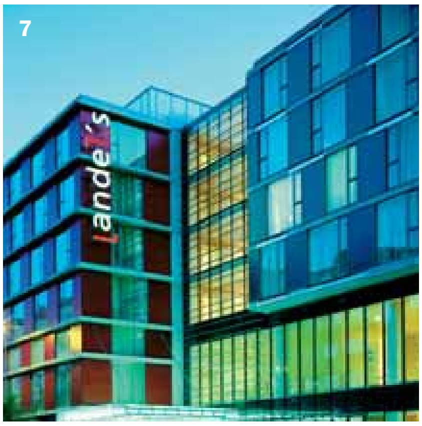
3) Hotel Diplomat****
CZ-160 41 Prague, 6, Evropská 15
398 rooms (opened 1990)

4) Hotel Amber Baltic****
PL 72-500 Międzyzdroje,
Promenada Gwiazd 1
191 rooms (opened 1991)



5) Hotel Savoy*****
CZ-118 00 Prague, 1, Keplerova 6
61 rooms (opened 1994)

6) Velký Špalíček –
Shopping and Multiplex Center
CZ-602 00 Brno, Dominikanska 1–7
13,016 sqm (opened 2001)



7) Hotel Andel's**, Prague**
CZ-150 00 Prague,
5, Stroupežnického 21
239 rooms (opened 2002)

8) Hotel Le Palais*****
CZ-120 00 Prague, 2, U Zvonařky 1
72 rooms (opened 2002)

9) Hotel InterContinental*****
PL 00-125 Warsaw,
ul. Emilii Plater 49
402 rooms (opened 2003)

10) Hotel Angelo****
CZ-150 00 Prague, 5, Radlicka 1g
168 rooms (opening June 2006)

11) Andel's City –
Office Building
CZ-150 00 Prague, Radlicka
6,937 sqm (opening 2006)

12) Hotel Andel's**, Cracow**
PL 31-547 Cracow, ul. Przy Rondzie 2
150 rooms (opening 2007)

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